

Party Rebel Leads Race To Succeed Miyazawa

Japan's Opposition Politicians Vow To Assure Stability During Reform

Compiled by Our Staff From Dispatches TOKYO — With the Liberal Democratic Party expected to lose its majority in elections next month, opposition leaders promised flexibility on Sunday if they win the right to put together a coalition government.



SOMALI BREAD LINE — UN troops trying to control a crowd of Somalis waiting for food Sunday in Mogadishu. Plans to distribute the food were delayed as the search for a fugitive warlord continued and 4,200 U.S. Marines arrived off the coast. Page 5.

Croatia Serbs Lose Support Of Belgrade For Secession

As Voting Ends, Ethnic Brothers Give a Cold Shoulder to Unity Now

By David B. Ottaway Washington Post Service KNIN, Croatia — The Serbian minority in Croatia completed voting Sunday on whether to secede and become part of a "Greater Serbia," only to discover that fellow Serbs in Bosnia and Serbia did not welcome their company at this time, and also that the world was ignoring their referendum.

Bosnia Must Remain As One State, EC Says

COPENHAGEN — European Community foreign ministers said Sunday that Bosnia had to remain as an independent, sovereign state despite proposals to create three mini-states along ethnic lines within its borders.

Croatian government and the Serbian enclave, a war that could have provoked intervention by Serbia.

Both the Croatian Army and the Serbs in Croatia had mobilized. Then, the crisis eased when the leaders of the Serbs in Bosnia, who held their own referendum on unification last month, let it be known they now thought it was "premature" to talk of unifying all Serbs.

The first returns of the two-day referendum by the Serbs in Croatia were expected Monday, with final results on Wednesday.

The Croatian Serbs expected at least 75 percent of an uncertain total of voters — many Serbs from Krajina are living as refugees in Serbia or in various European countries — to approve the statement: "Are you for a sovereign Republic of Krajina and its unification with other Serbian countries?"

The latest twist in the Balkans drama served to underscore that the focus of political attention for both the President Franjo Tudjman of Croatia and President Slobodan Milosevic of Serbia had shifted back to Bosnia, and the prospect the republic might be divided into ethnic states for Serbs, Croats and Muslims.

To accomplish this, the two presidents will have to cooperate against stiff resistance by the Muslim-led Bosnian government, which stands

End of an Era in Tokyo: Complications for the U.S.

By David E. Sanger New York Times Service TOKYO — For the better part of four decades, America has held tight to the view that the unshakable dominance of a single, conservative party in Japan was essential to Washington's most critical alliance in the Pacific, first as a bulwark against communism and second as a platform for one of the world's most remarkable economic success stories.

But as the party grew bloated with power, and the endless payoffs and influence-peddling became an international embarrassment for Japan, American officials increasingly found themselves forced to avert their eyes from the system's rotting core.

Though Washington was loath to criticize the decay of Japanese democracy publicly, the corrupt bonds between politicians and business became an integral part of the often invisible barriers that make it so frustrating for foreigners to break into the Japanese market.

So today, as the country's governing party continues to spin apart in the fractious generational battle that brought down the government Friday, American and Japanese officials alike

A Host of Problems Awaits EC Summit

By Alan Riding New York Times Service PARIS — After a year in which little has gone right for them, European Community leaders gather Monday for a summit meeting intended to convince skeptical Europeans that plans for greater regional unity have not been buried by the severe economic recession and the war in Bosnia-Herzegovina.

It will be no easy task. The Community's biggest governments have all been forced to look inward as a result of rapidly climbing unemployment, new intolerance of Third World immigrants, demands for greater trade protectionism and polls showing that their own popularity is tumbling.

Furthermore, while the Treaty on European Union should finally go into effect on Jan. 1, 1994, many government officials in the region now acknowledge that it will be difficult to put into effect as written. On top of that, many French, German and British are still strongly opposed to it.

The mood of the region, then, is one of unrepentant pessimism. "Europe" has lost its mystique as a magic door to the future. And governments have lost credibility when they claim to have answers to the crisis. No one doubts that the dark moments will pass, but no one knows when.

Certainly, when they meet Monday and Tuesday in Copenhagen, the 12 Community leaders would much prefer to turn their eyes to the future, notably by preparing the way for

accepting new members. But chances are that the summit meeting will remain trapped in myriad problems.

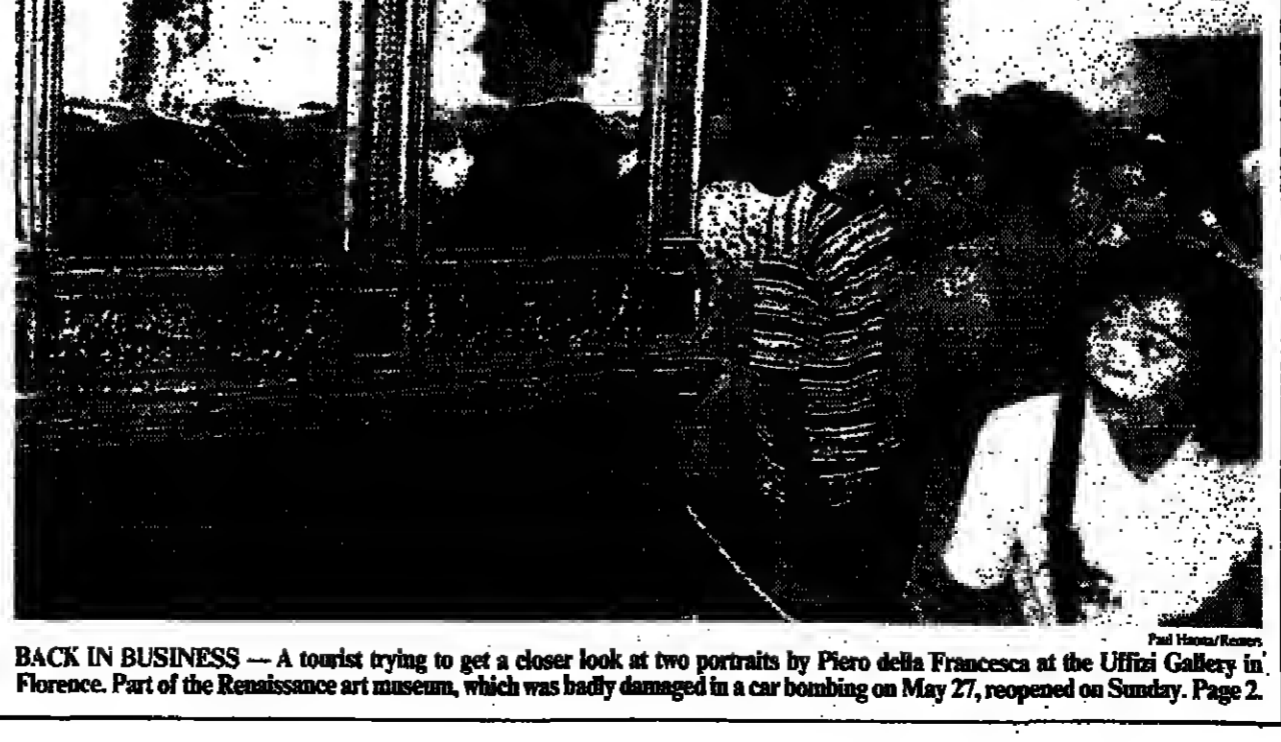
Much as they would like to avoid taking up the crisis in Bosnia, for example, they cannot afford to skirt the issue — not only because the suffering there is a constant reminder of Europe's failure to end the war, but also because the Community must try to define a common position on the "settlement" proposed this week by Serbia and Croatia.

The 12 feel trapped. They recognize that

Kiosk Nigeria Fears Civil Unrest While Awaiting Vote Results LAGOS (AFP) — Fears of civil unrest mounted Sunday as the deadline for publication of Nigeria's presidential election results approached, with no end in sight to the crisis provoked by their delayed release.

Bad Gets Worse in Albania

By Henry Kamm New York Times Service NOI, Albania — Tushe Xaka has lived all her 30 years in this village of 700 people, on a frighteningly winding, narrow dirt road along a deep gorge in the mountains, 30 miles north of Tirana, the capital.



BACK IN BUSINESS — A tourist trying to get a closer look at two portraits by Piero della Francesca at the Uffizi Gallery in Florence. Part of the Renaissance art museum, which was badly damaged in a car bombing on May 27, reopened on Sunday. Page 2.

Aspin's Style In Pentagon Angers Chiefs

By Barton Gellman Washington Post Service

WASHINGTON — General Colin L. Powell began the hastily called meeting with a curse of exasperation. Then came this: "Guys, he didn't tell me either!"

The "guys" were General Powell's fellow military chiefs, called to his office in May after their latest unpleasant surprise.

That morning, Defense Secretary Les Aspin had announced a major initiative on readiness. General Powell, chairman of the Joint Chiefs of Staff, found out barely in time to catch the announcement on the Pentagon's in-house television channel.

Mr. Aspin's spokesman, Vernon A. Guidry Jr., apologized later for what he described as an uncharacteristic communication failure.

But hard feelings still linger four weeks later among the nation's senior uniformed leaders, and the issue amounts to more than discomfiture with Mr. Aspin's unstructured management style.

There are many signs at the Pentagon of erosion in the solidarity of purpose between civilian and uniformed leaders. Although cooperation is still the norm, the top brass find themselves held at arm's length after 12 years in which officers worked hand-in-glove with civilian overseers.

"We are coming in and reasserting civilian authority," said a defense official who is closely acquainted with Mr. Aspin's views. "It had eroded, frankly, during previous administrations."

Relying on the Joint Chiefs of Staff and the military services for staff work, he said, is tempting because "they're very good at moving paper."

But that also means, he added, that the largely civilian secretariat never truly takes control. Mr. Aspin is entering what people close to him say he regards as "a critical month" in his post. Both his aides and some military chiefs are beginning to anticipate a possibility of open rift.

Both sides seem to believe that they will reach accommodation by July 15 on a proposal to open the military to homosexuals. But they are not so confident on Mr. Aspin's "bottom-up review" of the size and shape of future military forces.

Mr. Aspin has said in private that he is

Handwritten signature or stamp at the bottom of the page.

Q & A: Roots of the Violence That Has Shaken Germany

Elisabeth Noelle-Neumann, 76, founder and director of the Allensbach Institute for public-opinion research, has been an adviser to German governments for more than 40 years. She also teaches communications theory at the University of Mainz near Frankfurt. She discussed Germans' attitudes toward foreigners and the current political climate with Brandon Mitchever of the International Herald Tribune.

Q. What is the root of the violence that has rekindled many foreigners' fears of resurgent German xenophobia?
A. The problem has been the extremely sharp rise in the number of people claiming political asylum here over the last few years. Since the fall of 1991, we've tried to get the attention and interest of political leaders because this steady stream of refugees has fueled Germans' sensation of being threatened, of not being at home anymore, and of confronting people whose behavior and values are very different from their own.
Q. But much of the worst violence directed at foreigners in Germany of late has been directed at long-term Turkish residents, not refugees.
A. For Americans it's difficult to imagine a situation in which, for example, 1.5 million Turks are living here but don't want to integrate. Americans also would not want to live surrounded by immigrants who didn't want to become Americans.
Q. Do you think dual citizenship for Turks and other long-term foreign residents would alleviate the problem?
A. It sounds nice, but a dual citizenship means becoming a German citizen without having to adjust to German values, German behavior, the German language.
 The debate ignores the established teachings of social science. Political leaders who think we can educate people to become something they don't want to become are arrogant. They underestimate the danger. I'm not saying societies and individuals can't improve, but as a social scientist, I feel you have to accept certain principles that are a deep part of human nature. You can't just change them with good will.
Q. Do you think the change in the asylum law will resolve the problem?
A. It's too early to say, I don't think the problem will entirely recede, not because it's a bad law, but because the flow will continue by other means.
Q. Besides the refugee problem, what are the other things that most worry Germans today?
A. For a long time, the biggest problem has been the tide of refugees. The second preoccupation is

unemployment, and the third is an increase in crime. All of these problems preoccupy between 40 and 50 percent of the population.
Q. Are economic worries growing as the country slips further into recession?
A. The media often make it look as if the German economy were the biggest problem we have, but if that were the case there wouldn't be such a profound peace between West and East Germany, where we are transferring 180 billion Deutsche marks (\$113 billion) a year.
Q. Much has been made of a growing East-West divide. Do you think the cost and stress of unification is making Germans grow apart?
A. Der Spiegel reported that a new wall is going up, in peoples' heads. When we ask in our interviews whether people think this is true, 60 percent agree it is. But in another interview, when we ask only people who have recently talked with someone from the other half of the country, 70 percent say it is untrue.
Q. What unites West and East Germans?
A. The West and East Germans resemble each other to an absurd degree. They share traditions that go back a thousand years.
Q. Did those traditions survive the 40 years of separation?
A. Without question, but with one clarification. You have to differentiate between aspects of culture that you are born with and those that you acquire through socialization, through education.
Q. East Germans, for example, up to the highest levels, were raised to expect their government to take care of them. Today they still wait hopefully for the government to come through.
Q. Recent polls have shown trust in public figures slumping. If not the traditional leaders, whom do Germans trust?
A. Konrad Adenauer did not win recognition until he was gone. The same will be true for Helmut Kohl.
Q. I've known him since 1964, and I've never experienced that he wanted anything for himself other than power, which is the means to achieving political goals. It's clear to me that he loves Germany much more than he loves himself, which makes him a patriot.
Q. If you ask me what his weakness are, I don't have any trouble coming up with a list. For example, he has had a tendency to misjudge peoples' characters.
Q. But as with everyone, you have to ask how much weight you give to his weaknesses and how much to his strengths, and Helmut Kohl has an extraordinary political sensibility. For a politician, I think that's more important than a deep appreciation for human nature.



Sarajevo residents lining up on Sunday at a public well on a street known as "sniper's alley." The street earned its name because it provides little cover, making it easy for snipers to find targets.

Behind U.S. Shift on Bosnia

As All Else Fails, Clinton Decides Simply to Wait It Out

By Elaine Sciolino
 New York Times Service
WASHINGTON — President Bill Clinton's decision to accept the possibility of the ethnic partition of Bosnia reflects a consensus among his senior advisers that the United States is incapable of mediating the 14-month-long war and unwilling to take military action to stop it.
 Mr. Clinton's comments during a news conference last week reflect the latest — and most dramatic — shift in his thinking on Bosnia and raise doubts about his administration's commitments to recognized territorial borders.
 Senior administration officials insist that Mr. Clinton has no intention of trying to persuade Bosnia's Muslim-dominated government to accept the new plan, proposed by the presidents of Serbia and Croatia, that would technically preserve Bosnia-Herzegovina's international borders even as the country is sliced into separate areas for Serbs, Bosnians and Muslims.

"The implication is that anything goes," said Morton A. Abramowitz, president of the Carnegie Endowment for International Peace and a former U.S. ambassador to Turkey. "The Muslim side — the weakest side — has a Hobson's choice — either to accept division or to be ground down because the West is unwilling to help except through cheap rhetoric."
 The consensus within the administration is that the carving up of Bosnia into separate areas for Serbs, Muslims and Croats may be inevitable and that there is no hope for the peace plan drawn up by the United Nations and the European Community. That plan, put together by Lord Owen of Britain and a former U.S. secretary of state, Cyrus R. Vance, called for the creation of 10 semi-autonomous provinces, based largely along ethnic lines, under a loose central government.
 According to one State Department official, the "bums and deont thing would be to get partition over as quickly and bloodlessly as possible."
 Essentially, the administration, bruised by Europe's rejection of its plan to arm the Bosnian Muslims, has decided to do nothing except to watch the negotiations in Geneva play out.

In contrast to the statement by Secretary of State Warren M. Christopher in February that the United States would bring "the full weight of American diplomacy to bear" on the negotiating process, Washington is now taking such a hands-off approach to the current negotiations that Mr. Christopher has cut Lord Owen for an explanation of his unexpected suggestion that the Muslims consider the latest partition plan.
 Reginald Bartholomew, the special U.S. envoy to the talks, is in Washington, out in Geneva, and he will not travel there this week when the next round of negotiations begins. The American side is being represented by Victor Jackovich, the new American ambassador to Bosnia.
 The United States has in effect abandoned its own plan to help the Bosnian government by excluding it from the UN arms embargo that now applies to all sides in the conflict. Despite the partition initiative, the United States has no plans to begin new consultations with its allies or to introduce a resolution in the Security Council to push the American plan, a State Department spokesman, Michael McCurry, said Friday.
 "The purpose of that preferred option ultimately was to achieve an agreement that would be reached by the three parties: a viable agreement negotiated by them in good faith, which could be implemented," Mr. McCurry said. "And if there is now a conversation under way that achieves that result, then we have to see how that conversation develops."
 Asked whether the United States had abandoned its commitment to the survival of the Bosnian state, Mr. McCurry said: "There is now a discussion under way in Geneva that may produce something else. What it might produce, we don't know."

NEWS ANALYSIS

Germans Hold 18 at Neo-Nazi Rally

BERLIN — Policemen detained 18 neo-Nazi suspects and broke up a lakeside rally by a banned far-right organization north of Berlin, officials said on Sunday.
 About 200 people turned out for the gathering on Saturday night.
 Oranienburg district policemen said they seized a gas pistol, six knives, two baseball bats and a flag with the symbol of the Organization to Promote Central German Youth, a group banned for its far-right nationalist views.
 The police also found placards with slogans against foreigners, who have been the targets of a two-year wave of firebombings and assaults by neo-Nazis and rightists.
 In Berlin, the police declined to comment on whether arson had caused a weekend fire that killed a German woman and her two-year-old son in the Kreuzberg district, heavily populated by immigrants.
 The newspaper Berliner Morgenpost quoted neighbors as saying the fire was set by an unidentified arsonist in the cellar below a Kurdish restaurant.

Racist firebombings killed five Turkish women and children in the western town of Solingen last month and three Turks in Molln last November.
 Premier Edmund Stoiber of Bavaria said he would ask his counterparts from Germany's 16 federal states to seek a ban on two of the biggest parties of far-right radicals.
 Mr. Stoiber said the states should ask Bonn and the country's supreme court to ban the German Peoples' Union and the National Democratic Party as undemocratic.
 Mr. Stoiber said the states should also adopt a common strategy against the Republicans, another far-right party that is under surveillance in some states by anti-extremist authorities.
 The People's Union and the Republicans between them have seats in three state parliaments. The National Democratic Party also briefly entered some state legislatures in the late 1960s but has faded since then to rise above the local level.

WORLD BRIEFS

Northern League Candidate Is Projected Winner in Milan

ROME (AP) — The candidate of the Northern League was the projected winner on Sunday of the Milan mayoralty, a resounding confirmation of the party's growing prominence on the national scene.
 The expected victory of Marco Formentini in the country's financial capital was a major step forward for the League. But now its claim as the only clean, efficient political force will be put to the test.
 Mr. Formentini defeated Nando Dalla Chiesa of the tiny Network reformist party by 55.7 percent to 43.3 percent, according to exit polls by the Doxa polling service.
 "The game is over," said Umberto Bossi, the League leader. "What happened today is a strong signal that the country wants change." The race was one of 145 mayoral runoff on Sunday. Runoffs also were held for the governorships of six provinces.

Irish Leader Defiant on Ulster Visit

BELFAST (Reuters) — President Mary Robinson of Ireland says she has no regrets about a highly symbolic visit to Northern Ireland during which she angered the British by shaking hands with the IRA guerrilla leader.
 After visiting the Republican headquarters in Belfast, Mrs. Robinson said she would now like to go to districts of the Northern Ireland capital inhabited by Protestants who want the province to remain British. The Irish Republic's Constitution lays claim to the whole territory of Ireland.
 Mrs. Robinson, a constitutional figurehead with no political role in the Irish Republic, enraged the British when she brushed off their diplomatic and security concerns and met with the Sinn Fein president, Gerry Adams, leader of the political wing of the Irish Republican Army whose guerrillas are fighting to expel Britain from Northern Ireland.

A Power-Sharing Plan for Cambodia

PHNOM PENH (Reuters) — Cambodia's former battlefield rivals will jointly control the powerful army and police force under a power-sharing deal agreed last Friday, a senior government official said Sunday.
 The official said the former Communist government party and the royalist opposition, which won last month's UN-organized election, would share the key defense and interior ministries. The ruling party would surrender control of foreign affairs and finance to the royalists, the official told Reuters.
 The incumbent prime minister, Hun Sen, and the royalist party leader, Prince Norodom Ranariddh, who were enemies through 13 years of civil war, have agreed to serve as co-chairmen of an interim government that will rule for up to three months while the newly elected National Assembly writes a constitution.

Rx for Heart: 5 Instant Coffees a Day?

LONDON (Reuters) — Instant coffee could protect against heart disease, with people drinking more than five cups a day experiencing the lowest rate, a Scottish study indicates.
 The study of 10,000 men and women found that those who drank fewer than five cups of coffee a day suffered more heart disease while those who drank no coffee at all had the most. The findings, by doctors from Ninewells Hospital in Dundee, Scotland, were published Monday in the Journal of Epidemiology. They contradict foreign studies that have reported a link between heart disease and coffee consumption.
 "In this country we drink mainly instant coffee," said Dr. Colin Brown, one of the authors of the report. "Eighty to ninety percent of the coffee drunk in our study was instant. Instant coffee is weaker, with less caffeine and other flavor constituents." He said other studies linking heart disease and coffee consumption mainly had involved people drinking filtered or boiled coffee. Consumption of boiled coffee has been associated with raised cholesterol.

Battle at Town Kills 215, Angola Says

LUANDA, Angola (AFP) — The death toll rose to 215 as fighting between government troops and rebels continued on Sunday for control of the central town of Kuito, official Angolan radio reported.
 The radio said the toll was only for those killed in the center of the town, which has been besieged since January by guerrillas of the National Union for the Total Independence of Angola.
 It was impossible to determine casualties elsewhere around the town, according to the report. The 215 were killed from Thursday to Sunday in battles touched off by guerrilla shelling, the radio said.

Uffizi Reopens Doors Amid Damage Signs

By Alan Cowell
 New York Times Service
FLORENCE — Alberto Ronchey, Italy's minister of cultural affairs, said it reminded him a little of Winston Churchill: never, he half-quoted, had so few done so much for so many as the staff of the Uffizi Gallery had done to get the place ready to reopen.
 Thus, only 24 days after the bomb explosion wrought havoc along its western wing, did the Uffizi — Italy's greatest repository of Renaissance art — partly reopen on Sunday. The speed of its revival was hailed by some as a miracle of the Florentine spirit, such as the city showed after the great flood of 1966.
 The car bomb that damaged the 16th-century Uffizi exploded just after 1 A.M. on May 17, killing five people and shattering roof-tiles and windows along the western wing of the gallery. No one took responsibility for the bombing, and the government's assertion that the Mafia was behind it has met with skepticism.
 Three paintings were damaged beyond repair. Scores more were nicked or torn by flying shards of glass. Around 250 more were removed for safekeeping after the skylights blew out, exposing them to the summer's humid heat and possible rain damage.
 So, what visitors saw on Sunday was limited to the gallery's first 24 rooms, including the Botticelli that draw so many visitors and the Leonardos and the Giotto's that seemed equally awe-inspiring.
 Three works from among those removed from the damaged west wing went on display near the entrance — Michelangelo's "Tondo Doni," Caravaggio's "Bacchus" and Titian's "Flora." The gallery's full collection of work by those artists and others, including Rubens and Rembrandt, remained in indefinite storage.
 To show people the kind of thing that had happened, however, restorers displayed all they had been able to repair of a still life by Bartolomeo Bimbi. After the explosion, the entire pigment had simply been shaken off the canvas, and its restoration left gaping holes where the pigment had utterly disintegrated.

TRAVEL UPDATE

First Train Crosses Channel Tunnel

LONDON (AFP) — The first high-speed train crossed from France to Britain via the Channel Tunnel on Sunday in a test run. The British Eurostar, with a 200-ton weight, made a slow crossing pulled by diesel locomotives, arriving at Folkestone in southeastern England at 10:20 A.M., 3 hours and 20 minutes after leaving Coquelles in northeastern France.
 The train, 200 meters long, was carrying 30 engineers on the test run, designed to try out the British terminal and lines. Eurostar officials say that, beginning next summer, Eurostar will travel at speeds of up to 160 kilometers an hour through the Channel Tunnel; the journey from Paris to London will require less than three hours.
 Officials in Alaska are contesting the accuracy of an advertisement in which an animal-rights group, Friends of Animals, suggests that tourists boycott Alaska until it bans state-sanctioned wolf kills. Bruce Botelho, an assistant attorney general in Juneau, said the state might sue. The president of Friends of Animals, Patricia Feral, said she was satisfied the ad was accurate. (AP)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:
MONDAY: Bahrain, Brunei, Colombia, Malaysia, Mauritania, Oman, Sudan, Syria, Tunisia, United Arab Emirates.
TUESDAY: Swaziland.
WEDNESDAY: Estonia, Luxembourg, Switzerland.
THURSDAY: Estonia, Hong Kong, Latvia, Macao, Taiwan, Venezuela, Zaire.
FRIDAY: Finland, Mozambique, Sweden.
SATURDAY: Finland, Madagascar, Slovenia, Somalia, Sweden.
 Sources: J.P. Morgan, Reuters.

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SERBS: Minority in Croatia Loses Secession Support

Continued from Page 1
 to end up with only about 10 percent of the republic.
 Serbs have already seized control of 70 percent of the territory and Croats hold about 20 percent.
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Neither Mr. Milosevic nor Mr. Tudjman seems interested in being sidetracked into a confrontation over a Serbian minority regarded as troublemakers even by their allies.
 The Serbian-held lands in Croatia are divided into three parts: eastern Slavonia adjacent to Serbia, a portion in central Croatia known as western Slavonia, and Krajina, a slice of territory in the southwest wedged between Bosnia and Croatia's coastal area of Dalmatia.
 The capital of the Croatian Serbs self-proclaimed "Krajina Republic," is in Knin, a farming center amid barren mountains 275 kilometers (170 miles) southwest of Zagreb. It is this region that the Croatian government is eager to recapture, and thereby reopen land and rail links to the Adriatic.
 In January, Croatia began a major offensive to retake the area but was stopped short of victory when the United Nations and West European nations intervened.
A Move to Grab Territory
 The rival forces in Bosnia battled each other for territory Sunday as European Community ministers prepared to accept an ethnic division of the land, Reuters reported from Sarajevo.
 Fighting between Muslims, Croats and Serbs, ignoring a truce their commanders signed last Tuesday, flared across a belt of central Bosnia. Artillery and infantry battles for disputed towns drove people from their homes.
 Despite the fighting, the UN judged it was safe to reopen the

Sarajevo airport to aid flights after a six-day shutdown.
 But in a setback for the relief effort, Bosnian Serbs at the border with Serbia proper halted the first UN aid convoy in a month trying to take supplies to the besieged Muslim enclave of Gorazde.
 UN forces played down a threat by the commander of Bosnian government forces in the northern Muslim town of Turda, Hazim Sadic, to use chlorine to attack Serbs if the attacks against Gorazde continued.
 He said he had enough of the chemical to "neutralize all living forces in almost all of Europe."
 UN military sources said Muslims did not have the military capability to deliver chemical weapons and said the chlorine would cause only minor irritation to skin.
 "It's the sort of stuff you put in your swimming pool," one source said.
 Visiting Ankara, President Alija Izetbegovic said he could not rule out the use of chemical weapons if the UN did not lift a ban on the sale of arms to Bosnian Muslims.
 EC foreign ministers were meeting in Copenhagen on Sunday on the eve of a Community summit meeting and faced the grim reality that their policy for ending the war in Bosnia had failed.
 The EC mediator, Lord Owen, was seeking renewed instructions from the ministers after the peace plan that he had championed to retain a unified, multinational state in Bosnia-Herzegovina collapsed last week.

STATESIDE / RED LIGHT, GREEN LIGHT



JAZZ ON THE SOUTH LAWN — President Bill Clinton, on saxophone, joined musicians of the Newport Jazz Festival to wind up a concert at the White House. Standing between the veteran Illinois Jacquet, left, and the saxophonist Joshua Redman, the president joined in celebrating the festival's 40th anniversary. Public Broadcasting taped the session, which will be televised in September.

U.S. Navy Colors In The Gray Areas of Sexual Harassment

By Maureen Dowd

New York Times Service
WASHINGTON — Washington is famous for its ominous reds — red tape, red ink, the red phone. Now there is also the red zone, the U.S. Navy's attempt to offer simple, "bumper sticker" instructions on curbing sexual harassment. With a few succinct phrases, recently sent to all commanding officers to a quarterly information packet called the "Captain's Call Kit," the Department of the Navy tries to answer a question that has obsessed and confounded the nation since the navy's Tailhook scandal and the Anita Hill-Clarence Thomas hearings on Capitol Hill: "What Is Sexual Harassment?" This single-page effort to answer that question, and another longer brochure that will be distributed to navy and Marine officers, called "Resolving Conflict: Following the Light of Personal Behavior," drastically boils down a more in-depth training system developed by the Standing Committee on Women in the Naval Service in the aftermath of Tailhook.

Designed to be displayed on military bulletin boards around the country, the folder insert does not deal with psychology or military culture, or address any of the more outrageous incidents outlined in the navy's report on the Tailhook episode: "streaking," "mooning," "leg-shaving" and "butt biting." Instead, with the bland vocabulary of a suburban high school guidance counselor and the simple clarity of the children's game "Red Light, Green Light," it uses traffic-light colors to group acceptable and unacceptable forms of behavior between the sexes. The green zone (Go), includes "placing a hand on a person's elbow," and "everyday social interaction such as saying, 'Hello, how are you?' or 'Did you have a good weekend?'" The yellow zone (Slow down to stop), includes "whistling," "un-

★ POLITICAL NOTES ★

Clinton Is Reported to Have a Half-Brother

WASHINGTON — President Bill Clinton has a half-brother, Henry Leon Ritzenthaler, who was born several years before their father met Mr. Clinton's mother, The Washington Post reported Sunday. A long article in the paper's Style section — telling more about the president's father than about Mr. Clinton and Mr. Ritzenthaler — is accompanied by photographs of Mr. Clinton, the half-brother and their father, Bill Blythe. The father died in an automobile accident several weeks before Mr. Clinton was born. Mr. Ritzenthaler was given his adoptive father's name, just as Mr. Clinton bears the name of his adoptive father. The paper also printed a photostat of Mr. Ritzenthaler's birth certificate showing that he was born in Sherman, Texas, as Henry Leon Blythe, the son of W. J. Blythe and Adele Gash. The paper interviewed Adele Gash Coffelt — the 75-year-old widow who subsequently remarried — at her home in California. She told how she and Mr. Blythe were married when they were 17 years old and were divorced after a few months. The report says Adele Coffelt did not discover that the father of her son was also the father of Bill Clinton until a relative sent her a magazine clipping during the presidential election campaign. Mr. Ritzenthaler, 55, is retired — because of a heart condition — from a janitorial service he once owned, the article said. It added that he wrote to Mr. Clinton at the Arkansas governor's mansion late in the presidential campaign, introducing himself, including a copy of his birth certificate and requesting any information the governor could supply about the Blythe family health history. "I don't want any money out of this or anything," Mr. Ritzenthaler told the Post. "All I would like to do is meet the man. I would be honored to get to know him a little." AP

Senators Predict Bitter Fight on Deficit Bill

WASHINGTON — Senate leaders, speaking Sunday, signaled a bitter floor fight this week on President Bill Clinton's federal deficit-cutting plan. But Democrats vowed that they have enough votes to push the plan through. "It can be argued that it is the most progressive change in the tax code we have seen since World War II in terms of what it does," said Senator Daniel Patrick Moynihan, the New York Democrat who is chairman of the powerful Finance Committee. "We have the majority we need and we will produce it," added Mr. Moynihan, interviewed along with the Senate minority leader, Bob Dole, of Kansas, on CBS television. Senator Dole charged that the plan was laden with tax increases and short on spending cuts. He said it would result in a deficit cut of only \$347 billion over five years instead of the more than \$500 billion claimed by the Democrats. Mr. Moynihan said the burden of new taxes under the Clinton plan would be carried mainly by wealthy Americans, but Mr. Dole warned that Republicans would push hard for changes on the Senate floor this week. (Reuters)

Quote / Unquote

Representative James A. Hayes, Democrat of Louisiana, firing back at colleagues who criticized him for voting against President Bill Clinton's budget package: "I don't owe them a damn thing to be a Democrat. Most of them don't come from places like I do, where being a Democrat is a liability." WP

4 U.S. Schools Get Huge Annenberg Gift

By Deborah Sontag

New York Times Service
NEW YORK — Walter H. Annenberg, the billionaire who made his fortune mostly from the magazine TV Guide, has announced the largest one-time gift to private education in U.S. history — \$265 million in cash grants to three universities and \$100 million to a little-known preparatory school in Hightstown, New Jersey. Mr. Annenberg is awarding \$25 million to Harvard University and \$120 million each to the communications programs at the University of Southern California and the University of Pennsylvania. The \$100 million is going to Peddie School, from which he graduated in 1917. The school, near Trenton, was founded in 1721. "I'm interested in the young people because the character of our country will be shaped by young people in the days ahead," said Mr. Annenberg, who is 85. "Now, good heavens, what is more important than that?" Individually, the grants to Peddie, USC and Penn are the largest cash gifts ever made to a preparatory school or to a university. All will be paid by the end of the year, rather than in staggered sums. The record contribution so far to a university — \$125 million in cash, stocks and bonds — was by C. B. Pennington, who made his fortune

in the oil business. He made the pledge to Louisiana State in 1980. The money was put in a trust and a portion is turned over each year. "I don't want to knock any kind of philanthropy but clearly there's an enormous difference between a pledge and someone who says 'I'll give you a check for \$120 million right now,'" said Steven B. Sample, president of the University of Southern California. "What Walter Annenberg is doing is establishing a whole new level of giving for higher education, and doing this at a time when public support has been severely restrained and, in many cases, set back." Asked why he chose this moment to give away \$265 million of his foundation's total of \$1.55 billion in assets, Mr. Annenberg said: "Why? Because I wanted to. I'm interested in sending word to others who have sizable foundations that now is the time to stop talking and act. If anybody objects to that, well, I'm sorry." Mr. Annenberg's gift to the New Jersey secondary school will transform it overnight into one of the richest preparatory schools in the nation. With the \$100 million grant, Peddie's endowment will rise to \$117 million. At least \$3 million a year will be earmarked for scholarship and financial aid in students of all income levels. "I keep pinching myself to make sure I'm not dreaming," said Thomas A. DeGray, headmas-

ter of the 500-student school. "When I'm convinced I'm not dreaming, I feel like I'm the luckiest guy in the world. I can't imagine this has ever happened to any other school head and it may never happen again." At USC, the gift, which will increase its \$800 million endowment by 15 percent, will create the Annenberg Center for Communications. The endowed center will have about \$12 million a year to spend on scholarships, mid-career fellowships, visiting scholars, faculty research and an undergraduate residential college. At Harvard, which has a \$5.3 billion endowment, Annenberg's \$25 million contribution will have a less dramatic effect. All the money will be devoted to undergraduate education, in memory of Roger Annenberg, the publisher's son who died at 22 while at Harvard. Mr. Annenberg, who served for a time as ambassador to Britain, said he made his first contribution the day he graduated from the Peddie School 66 years ago. He donated \$17,000 to build a cinder track. Since then, among scores of donations, he has given his entire collection of Impressionist and Postimpressionist art, valued at \$1 billion, to the Metropolitan Museum of Art in New York. And he made a \$50 million contribution to the United Negro College Fund in 1990, the largest single donation to black higher education in the United States.

Away From Politics

- A 10-year-old boy was mauled to death by an alligator while on a river outing with his family in Florida. The alligator pulled the boy under water as he waded in a shallow section of the Loxahatchee River, about 20 miles north of Palm Beach. The authorities said it was the first fatal alligator attack in Florida since a 4-year-old girl was killed five years ago.
- The launching of the space shuttle Endeavour was delayed by at least 24 hours because of poor weather. Ground crews at Cape Canaveral, Florida, were expected to make a second attempt at a liftoff at 9:07 A.M. on Monday, barring other weather or technical problems.
- Brawls broke out between white residents of Corsicana, Texas, and members of the Black Panthers from Dallas who showed up at a Ku Klux Klan rally. A black man and woman and three white men were arrested on disorderly conduct, assault and public intoxication charges. The Klan rally was intended to show support for the local police, who have been the subject of sporadic protests since a 29-year-old man died while in custody two weeks ago.
- Pepsi-Cola Co. is using full-page advertisements in newspapers around the country to thank consumers who stayed with its soft drinks through a scare over false claims that syringes, hypodermic needles and other objects had been found in cans of the product. The company said it had purchased space in 12 major metropolitan newspapers and had made the ad available for its bottlers to place in up to 200 other papers.
- An injured teenager survived two days in the dense underbrush of a remote California canyon after a car she was driving crashed northeast of San Diego, killing her two passengers, officials said. Finally, two telephone linemen heard Dawnyn Skoglund, 16, calling for help.
- The first tropical storm of the Atlantic hurricane season to receive a name, Arlene, soaked much of the Texas Gulf Coast with rain but barely had enough wind to justify its title. A tropical-storm warning was posted for the Texas coast from Brownsville northeastward to Matagorda, and a coastal flood watch extended from Matagorda to Port Arthur at the Louisiana state line.

AP, Reuters

Sir William Golding, 81, Dies, Author of 'Lord of the Flies'

By Bruce Lambert

New York Times Service
Sir William Golding, 81, the Nobel Prize-winning author of the classic "Lord of the Flies" and other disturbing works exploring the dark side of human nature, died Saturday at his home in Perranarworthal, England. A heart attack was the probable cause, said Matthew Evans, chairman of his publisher, Faber and Faber. Sir William was 73 when he won the Nobel Prize for literature in 1983, and he was knighted in 1988. Although he was primarily a novelist, his writing also included short stories, dramas, essays and poetry. Sir William was best known for his themes of the struggle between good and evil and for symbolism that invited interpretations on many levels. After a string of rejections, in 1954 he published his first and most popular book, "Lord of the Flies." It portrays a group of proper British schoolboys who, when marooned on a deserted island by a plane crash during a global war, lose their societal inhibitions and regress into shocking savagery. The novel inspired two films and became a standard on college and high school reading lists. For a man who once complained of his "inability to write poetry," Sir William made a major contribution to English literature. Although his succeeding works never matched "Lord of the Flies" in sales, they continued to win close critical attention. They included "The Inheritors" (1955), "Pincher Martin" (1956), "Fire Fall" (1959), "The Spire" (1964), "Darkness Visible" (1979) and "Rites of Passage" (1980). "Rites of Passage" won Britain's premier literary award, the Booker Prize, in 1980. It describes a voyage to Australia in the 19th century, showing how a pompous cleric becomes involved in a sexual scandal and dies of shame. In 1987, Sir William completed a

sequel to "Rites of Passage" called "Close Quarters." A third novel, "Fire Down Below," finished the series in 1989. In a rare interview, he spoke of death: "I'd rather there wasn't an afterlife, really. I'd much rather not see me for thousands of years. Me? Hah!" William G. Golding was born on Sept. 19, 1911, in Cornwall. He was educated at Marlborough Grammar School, where his father taught, then studied science and later English at Oxford. After college, he joined the Royal Navy, serving as a lieutenant commanding a rocket-firing ship, taking part in the Normandy landings in 1944 and developing an enduring love of the sea. He spent his last years quietly with his wife of 54 years, the former Ann Brookfield, at their home near Falmouth, Cornwall.

Vera, 84, Whose Name Was on Scarves and Linens
NEW YORK — Vera, 84, the designer whose name appeared on scarves, linens, draperies and sportswear for nearly 50 years, died Tuesday after surgery in Tarrytown, New York. Vera Neumann, who used only her first name professionally, was a painter whose work was exhibited in many countries, and her designs typically began as paintings. For motifs, she preferred flowers, leaves, ferns, grass, vegetables, the sun and ladybugs. A "ladybug means good luck in every language," she said. She introduced the first signature scarf in the late 1940s.

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EC: A Summit Meeting at a Time of Myriad Problems

Continued from Page 1
spending package to stimulate investment and the creation of jobs. But hopes of a common approach are threatened by trade squabbles among the 12, with France still refusing to approve a farm deal reached with the United States in November that was aimed at advancing talks on liberalizing global trade.

There is also growing fear that Western Europe is losing its ability to compete against aggressive Asian exporters. And, here again, there is disagreement. While Britain argues in favor of reducing the social welfare burden carried by European companies, France has called for greater protectionism to save industries and jobs in the region.

Among the victims of the economic slump is the Maastricht treaty's blueprint for creating a single currency for the Community by 1999. Over the past nine months, the devaluation of five European currencies, most notably Britain's, has disrupted moves towards monetary stability. Of the 12 nations, only Luxembourg currently meets the economic criteria for joining in a single currency.

German Court Presses Bonn for Maastricht Data

Reuter
BONN — Germany's supreme court has given the government a second list of questions in advance of a hearing this month on whether the Treaty on European Union violates the German Constitution.
The government on Sunday confirmed an magazine report that the Constitutional Court in Karlsruhe had sent new questions to Bonn in the past week. A first list of questions, made public last month, fed speculation that action by the court could block the Maastricht plans just when the treaty appeared to have overcome hurdles in other European Community countries.



CARRYING ON — Jacques Delors, president of the EC Commission, brought a cane to Copenhagen to ease the effects of sciatica. He met Sunday with European Socialists and was to keynote an EC summit meeting on Monday.

Major Says Tories Will Send Back Any Tainted Funds

Reuter
COPENHAGEN — Prime Minister John Major of Britain said Sunday that any money dishonestly donated to his Conservative Party would be returned as his government faced more pressure over links with Asil Nadir, a fugitive businessman.
Mr. Major's statement here after his arrival for a European Community summit meeting followed further embarrassment for the governing party with calls for it to return \$440,000 (\$660,000) that Mr. Nadir donated to the Conservatives.
The Sunday Times newspaper said it had evidence that Mr. Nadir, who jumped bail and fled to his native North Cyprus last month while facing charges of theft and false accounting, gave the party money taken from Polly Peck International, his conglomerate that collapsed in 1990.

Northern Ireland minister, Michael Mates, who is under pressure from the opposition Labor Party to resign because of his links with Mr. Nadir.
"I am here to talk about the European Community," Mr. Major said. "There is a great deal to be done."
Labor, attacked by Conservatives for being funded by the trade unions and for receiving a donation from Robert Maxwell, the disgraced late tycoon, has mounted an all-out assault on the government over the Nadir affair.

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PENTAGON: Aspin's Solitary Style Angers Chiefs

Continued from Page 1
prepared to push through a new force structure and military strategy, if need be, without the support of the three major uniformed centers of power: the military branches, the Joint Staff and the military operations, in Mr. Aspin's view, are a different matter. One official said Mr. Aspin had deferred to General Powell and the regional commanders in handling operations in former Yugoslavia and in Somalia.

Mr. Aspin, the official said, believes the decision on how — and even whether — to use force "really does belong in the military's hands."
On social issues like lifting the ban on homosexuals, Mr. Aspin also believes it is critical to have agreement by the chiefs of staff.
But on the shape, size and basic strategy of the military establishment, the official said, Mr. Aspin is

ALBANIA: Hard Times in Europe's Poorest Country

Continued from Page 1
million broke up the collective farms by seizing their former family holdings or any other land they could claim.
Many people physically destroyed buildings that had been collectively used. In Noj, that meant the health station, all agricultural storage houses and stables, parts of the school, the cultural

center and the administrative buildings. None have been rebuilt, and no doctor or health worker has been there since then.
"Most of us today think that this was bad, a misunderstanding of the situation," said Skender Xaka, an elementary school teacher in a village one and a half hour's walk from here — and that is how Mr. Xaka goes to and from work six days a week. Like most of the men of Noj, among whom Xaka is a common family name, he was born and has lived there all his life.

BRIDGE

By Alan Truscott
The world's biggest bridge event, the Epon Worldwide Bridge Contest, was played recently with 100,000 players in about 80 countries.
The most interesting game was that in the Great Hall in Beijing, where the players included a group of 50 American tourists and top members of the Chinese hierarchy. Bobby Wolff, President of the World Bridge Federation, presented gold medals inscribed "Bridge for Peace" to Deng Xiaoping and Wan Li. This marks their efforts to encourage bridge in China, where the world championships will be staged in 1995.

BOOKS

HEROES OF MY TIME
By Harrison E. Salisbury. 210 pages. \$19.95. Walker.
Reviewed by Janet Wallach
"AM not much of a hero worshiper," Harrison Salisbury says in the foreword to his new book, "Heroes of My Time." "Too many years as a reporter have made me a skeptic." His ultimate hero, he writes, is the student who stood in the middle of Tiananmen Square, waving his hands to stop the tanks. He has, he claims, a "deep distrust of obvious heroes," and of the 20 he has chosen for this collection, some are known, some are obscure and many are flawed, "but despite their blemishes," he notes, those he has included "have inspired me by their conduct in times of great peril."

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BOOKS

WHAT THEY'RE READING
Marco Tronchetti Provera, chairman of Italy's Pirelli SPA, is reading the Italian translation of "Love in the Time of Cholera" by the Colombian novelist Gabriel Garcia Marquez.

Defensive Measure by Israel
The Black
The Attack
The Heroic
The Defiant

Defensive Measures By Israel It Seeks to Block North Korea Arms

By Clyde Haberman
New York Times Service
JERUSALEM — Although the countries have no diplomatic relations, Israel has quietly had a series of contacts with North Korea, hoping that a lure of economic cooperation may stop the Koreans from providing nuclear technology and a nuclear-capable missile to Iran, officials in Jerusalem say.

The missile, the Rodong-1, also known as the Scud-D, is still being developed. But Israeli officials have already expressed great concern because it is believed able to carry nuclear, chemical warheads and because, unlike earlier generations of the missile, it has a stated range of about 600 miles (975 kilometers) and would put Israel within striking distance of missile sites in western Iran.

Similarly, Japanese officials fear that the Rodong-1 would enable the North Koreans to hit some of their most populous cities.

The worry in Jerusalem is that the hard-pressed Pyongyang government plans the missile mostly for export, and intends to provide it to Iran in return for oil.

"As far as I know, Iran has placed an order for 150 of these missiles and has sent five high-ranking delegations to North Korea this year," said Professor Ben-Ami Shillony, a specialist in East Asian affairs at the Hebrew University of Jerusalem.

An Israeli official said, "The Iranian threat is taken very seriously." The official added that the worries extend to technological help that North Korea reportedly is giving to Iran's attempts to become a nuclear power.

As a result, Israel has discussed possible business ventures with Pyongyang, the goal being to make it economically worthwhile for the North Koreans to abandon their planned missile sales.

Officials here say the North Koreans have been eager negotiators, going so far as to offer to sell Israel a gold mine in their attempts to raise cash and ease their diplomatic isolation.

The officials said the contacts began in October with a secret visit by senior Israeli officials to Pyongyang but were suspended recently at the urging of the United States. Washington wanted to deepen North Korea's isolation after it announced in March that it would withdraw from Nuclear Nonproliferation Treaty. On June 11, North Korea agreed to suspend the withdrawal.

Three days later, Foreign Minister Shimon Peres of Israel met in Vienna with the U.S. secretary of state, Warren M. Christopher, and asked for permission to resume contacts with North Korea in light of the latest shift by Pyongyang, Israeli officials said.

Officials said Washington had given them a go-ahead, confirming a report in the newspaper Davar that Eitan Bentsur, the Foreign Ministry's deputy director general, would leave soon for Pyongyang to restart negotiations.

The bomb, which killed seven people and injured 15 on Friday, struck passerby, men in a cafe and vendors outside a mosque in the northern suburb of Shubra. It provoked a torrent of rage and disgust at the militants presumed to be responsible.

"The Muslim Brotherhood has vowed to God to work hard for the benefit of this country, its security, safety, unity and stability," the group said in a statement. It denounced "this ugly crime" that took place "by blowing up a time bomb among the masses, killing and wounding innocent people."

It was the strongest statement the Brotherhood has issued on political violence. The group was itself accused of trying to topple the government in the 1950s and 1960s and is still working to set up an Islamic state, but through peaceful means.

In the southern resort town of Aswan on Saturday night, security forces found and dismantled a time bomb similar to the one that exploded in Shubra. It contained 5 kilograms (11 pounds) of explosives and nails and was placed outside a shop.

The Arab Democratic Nasserite Party, one of a handful of small legal opposition parties, also condemned the bombing.

AMERICAN TOPICS

Dictionaries Duel Over Use of 'Ain't'

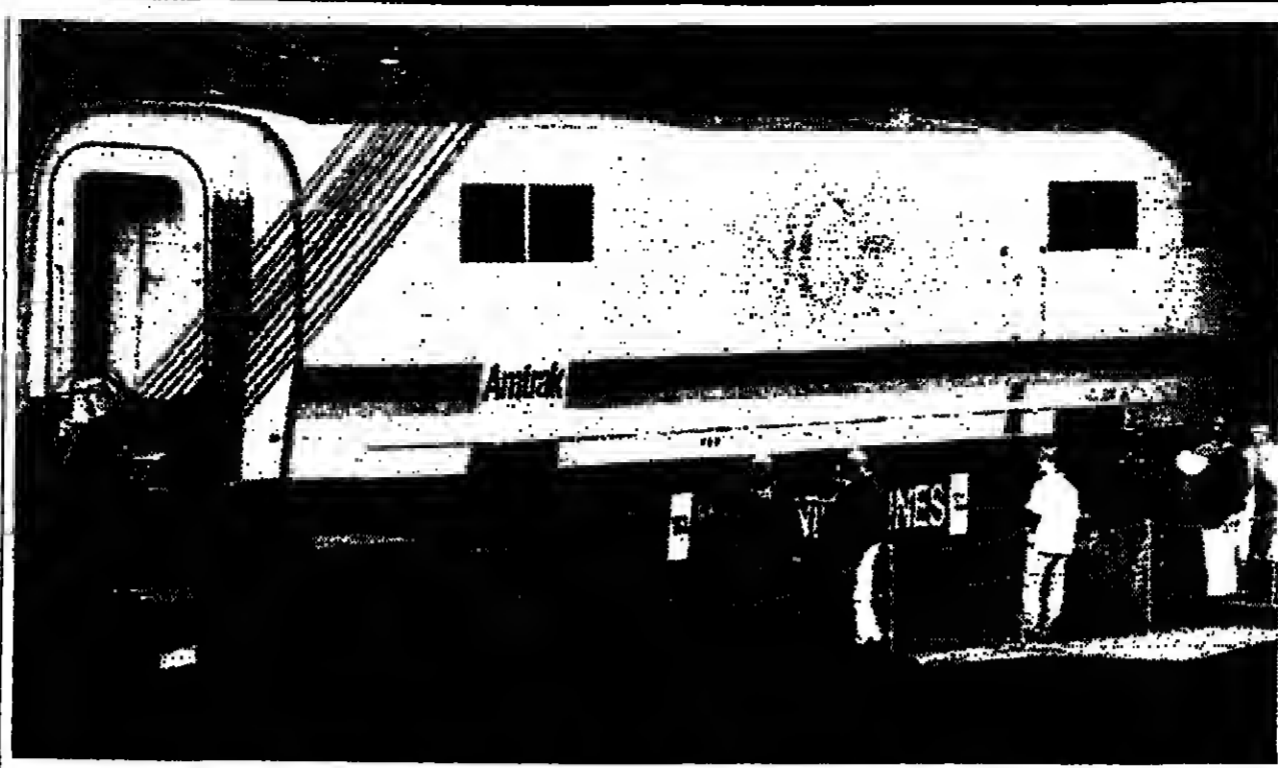
"Ain't ain't in the dictionary," or so the old joke goes. In fact, it has been listed for decades with varying degrees of tolerance. But its status remains uncertain. Merriam-Webster's Collegiate Dictionary's 10th edition, released last month, says, "Although widely disapproved as nonstandard and more common in the habitual speech of less educated, ain't is flourishing in American English. It is used in both speech and writing to catch attention and to gain emphasis."

Houghton Mifflin Co.'s American Heritage College Dictionary, Third Edition, to be released next month, labels "ain't" as "nonstandard" — its strongest designation for an unacceptable word. "Ain't has by now acquired such a stigma that it is beyond any possibility of rehabilitation," it said. But it notes that educated speakers use the word "when they want to strike a jocular or popular note."

Which approach is right depends on how one defines a dictionary's purpose. Merriam-Webster, traditionally permissive, stresses the importance of showing language as it is used. The American Heritage Dictionary stresses language as it should be used.

Short Takes

To discourage would-be carjacker from getting too close, a life-size cloth and plastic dummy called "Safe-T-Man" costs \$99 from Barbara LeStrange of El Monte, California. Safe-T-Man, a



TRAIN SHIPS OUT — One of two high-speed German rail cars being loaded aboard a freighter in Bremerhaven for shipment to the United States for tests by Amtrak as part of a cooperative deal between the U.S. railroad network and the German Bundesbahn.

brawny chap with baseball cap and dark glasses, sits in the front passenger seat and looks untruly real from more than a few feet away.

"Why," a Washington Post reader asks, "did geologists come up with names and dates for geologic time periods that no one could possibly ever remember?" Because, the "Why Things Are" column replies, they were not invented all at once, like the metric system, but were pieced together over several generations. "Devonian" was named by a scientist working on some rocks in Devon, England. The Mississippian and the Pennsylvanian periods got

their names in the same way. Tertiary is left over from another scientist's attempt in the 1700s to come up with a simple geologic time scale system, but the primary and secondary periods were given other names by other scientists. And so on.

Because of unfavorable weather — not enough warm days and cold nights to get the sap flowing, plus deep snow that made tree-tapping difficult — maple syrup production for the United States totaled 1.01 million gallons (about 3.8 million liters) this year, down 43 percent from last year.

Cracker Jack, the sailor boy and

peanuts, is 100 years old this year. Although Cracker Jack began making a name for itself as soon as it was introduced at the Chicago World's Fair of 1893 by a local popcorn company, it has been extrinsically linked with baseball since 1906, when "Take Me Out to the Ballgame," in which the singer demands peanuts and Cracker Jack, became a misshapen hit. Today Cracker Jack, owned by Borden Inc., sells about 250 million boxes a year but may go higher this year with two versions, the original and a new butter-toffee flavor.

Why is blue grass, *Poa potensis*, called blue, since it is as green as

any other grass? Because, says Dag Ryan of Lexington, Kentucky, the horse-raising heart of bluegrass country, in a letter to The New York Times, "the grass is named for the seed heads," which appear when the grass is allowed to grow unshorn to a height of two or three feet (up to about a meter). A field of this grass "is unmistakably blue." Mr. Ryan writes, But "in the bluegrass country, as is most of suburban America, the grass is seldom allowed to reach maturity" before it is mowed, so few people know "how blue a stand of bluegrass can be."

Arthur Higbee

De Klerk Campaigns - Who Would Have Thought It? - for Black Votes

By Bill Keller
New York Times Service

PIETERSBURG, South Africa — With an African pageant of ostrich-plumed dancers and thundering tribal drums, President Frederik W. de Klerk has begun his improbable campaign for the votes of South African blacks.

Mr. de Klerk, who was introduced as a "strong chief" and the man "who liberated South Africa," told the overwhelmingly black crowd at a livestock show ground in the northern farm town of Pietersburg that the event symbolized his party's rebirth from the white oligarchy that invented apartheid to a rainbow coalition

of peace-loving, prosperity-seeking moderates.

It was debatable whether the crowd of 5,000 on Saturday, brought in by bus with promises of a free supper, would translate into substantial black support for Mr. de Klerk in the country's first universal elections next April.

But for the National Party, which came to power in 1948 with an almost religious commitment to separation of the races, the rally was a watershed that would have dumbfounded Mr. de Klerk's predecessors. And that left some of the white party loyalists shaking their heads in disbelief. Although the party officially opened its membership to nonwhites in 1990 and has made big inroads among the more

conservative mixed-race and Indian voters, it has never before put on a campaign event for blacks. Most polls show black support for the National Party at 1 or 2 percent.

But Mr. de Klerk is desperate for black support to offset defections by frightened whites and to provide his party at least enough influence in the next government to offset the power of the expected winner, Nelson Mandela's African National Congress.

Party organizers were so concerned about mustering a respectable turnout for their black debut, and so worried about disruptions by black militants or far-wing whites, that the event was selectively publicized.

The last time Mr. de Klerk approached a black crowd was a year ago, when he ventured into the bereaved township of Boipatong to console survivors of a massacre. He was chased from the township by a furious mob.

To avert a similar public-relations disaster, the party staged this rally far from the militant townships around Johannesburg, in one of the few areas of South Africa where black votes may be up for grabs.

Most of the audience was bused in from three nearby tribal homelands, Venda, Gazankulu and Lebowa, created under apartheid as repositories for blacks forcibly displaced from the more desirable farmlands.

John Fenyane, who toils on a farm in the remote eastern town of Burgersfort, said he had come with 40 other black farm laborers because the white farm boss promised them the day off work to attend. Although he happily accepted \$6 in pocket money and wore a new National Party T-shirt and a red banner identifying him as a rally marshal, he was eager to explain that the uniform "is not my heart."

"In my own future," he said, "I think I will be ANC to the end."

The blacks who came listened impassively to the party's peppy new jingle — "Black and white, let's all unite" — and dutifully waved their paper National Party flags when Mr. de Klerk circled the

U.S. Marines Arrive Off Somalia as UN Searches for Aidid

Compiled by Our Staff From Despatches
MOGADISHU, Somalia — Four ships carrying 4,200 U.S. Marines arrived off Mogadishu on Sunday as the United Nations postponed plans to resume food distribution in the southern part of the capital, saying the area was still too dangerous.

Aircraft from the U.S. amphibious force flew over the devastated city, where the fugitive warlord, General Mohammed Farrah Aidid, is believed to be hiding after his headquarters were captured on Thursday in an air and ground assault by UN forces.

The warlord denies orchestrating June 3 ambushes that killed 23 Pakistani UN troops and led to the assault on his headquarters. He also was involved in much of the fighting that brought the deployment in December of a multinational force to protect aid deliveries. An estimated 350,000 Somalis died last year because of war, famine and disease.

The four ships carrying the Marines were about 500 meters offshore. A UN military spokesman said there were no plans to bring the Marines ashore immediately.

The United Nations had planned to resume food distribution Sunday in southern Mogadishu, which has been cut off from aid since the killing of the Pakistani peacekeepers, but the plans were postponed for security reasons.

Pakistani troops said they wanted to carry out a final reconnaissance of the food distribution points to ensure that they would be in a better position to defend themselves from any new attack.

The food handout was supposed to refocus the attention of Mogadishu's 1 million people on the relief effort that brought the United Nations to Somalia in the first place, and to temper the controversy over the killings of civilians by UN peacekeepers.

"It's very important that we deliver food to the south," said Mark Mullen, field coordinator for UN operations in Somalia.

He acknowledged that many residents of General Aidid's southern fiefdom were hostile to the Pakistanis.

"We've had several meetings with local community representatives and, quite honestly, they don't like the idea of Pakistani forces providing security," Mr. Mullen said.

A group of UN lawyers has arrived in Mogadishu to advise the peacekeeping force on carrying out orders to arrest General Aidid on charges that include crimes against humanity.

The UN special representative, Jonathan T. Howe, ordered the arrest of General Aidid, who is also blamed for the deaths of some 20 Somali civilians allegedly used as human shields in a clash with Pakistani forces a week ago.

Major David Stockwell, the UN military spokesman, said at a news briefing Sunday that three out of 11 missiles fired during the assault on General Aidid's headquarters went out of control and missed their target.

One of them hit the compound of a French aid agency, where one Somali was reportedly killed and another injured. (AP, AFP, Reuters)

PARTY: End of LDP Era Could Be Problem for U.S.

Continued from Page 1

al Democratic Party's 38-year-old majority in the lower house are preparing to bolt from the party. Ten announced Saturday that they were breaking away, and the leaders of the group that ousted Mr. Miyazawa are expected to announce the formation of a new, competing conservative party on Wednesday.

In private, leaders of the old guard surrounding Mr. Miyazawa concede that it will be virtually impossible to hold on to the majority it has commanded in the lower house of parliament beginning in 1955. That was before 40 percent of Japan's population — now 123 million people — was born.

The early date set for the election means that the paralyzed caretaker government will be in the midst of a desperate campaign — with candidates' sound trucks blaring through the streets of Tokyo — by the time President Bill Clinton and the leaders of the six other major industrial nations arrive here in three weeks for their economic summit meeting.

But the leaders of the Liberal Democratic Party felt they had no choice but to hold the election as soon as possible. If they waited even a week more, election day would take place just after the start of a criminal trial against Shin Kanemaru, the power broker who until last year epitomized the party's awesome power, appointing and dismissing prime ministers at will and receiving millions of dollars in illicit payments.

Mr. Kanemaru is accused of evading taxes on tens of millions of dollars found in his home and offices this year, including several hundred pounds of gold bars kept in an old safe.

His hoard of gold exemplifies America's dilemma in dealing with Japan's leaders. He often described himself as America's close friend and was treated that way: when he visited Washington last year, just before scandal erupted around

him, President George Bush invited him to the family quarters of the White House for coffee.

When the United States needed Japanese help — a huge \$13 billion contribution to the Gulf War, or aid to Russia or big contributions to America's space station or the cost of stationing U.S. troops in the Pacific — it was Mr. Kanemaru and his circle of fellow septuagenarians who always came through.

The huge faction that he and former Prime Minister Noboru Takeshita headed could solve in a single phone call problems that otherwise might cost American negotiators months or years of arguing with Japan's bureaucracy. It is a relationship with nearly a half-century of history. "When the American occupation of Japan began, we purged the right wing," Robert Orr, a political scientist at Temple University's campus here, noted. "Then in 1947 we reversed it all, put them back in politics to counter the Socialists and the Communists, and began to imprison the leftists."

For decades, many Japanese and American officials say privately, the Central Intelligence Agency even financed the Liberal Democratic Party to make sure it did not lose ground to its opposition. And Japanese voters came to associate the party with stability and anti-communism.

But by the 1980s, the rampant corruption and arrogance that underpinned the faction's power — and eventually set off its collapse and the party split that brought down the government — often worked very much against American economic interests.

No American construction company, for example, had a prayer of competing for huge government contracts with Japanese companies that propped the faction up with millions of dollars in secret donations.

Thus, as the relationship of America with Japan turned from

security to trade, many have argued that his interest are changing.

"With the end of the cold war, I think you can argue that it is far better for our interests if there are two centrist parties, alternating power," said Michael Mochizuki, a professor at the University of Southern California who specializes in Japanese politics. "I'm one of those who always thought that the L.D.P. was more part of the problem than part of the solution."

The argument is simple: with two such parties actively contesting seats, one is bound to take up the interests of consumers — and thus the interests of American business, whose goods here would make Japan's markets far more competitive.

Until now, consumer interests have always been subordinated to the interests of Japan's manufacturers, who are also, of course, the money supply for the Liberal Democrats.

Many argue that their day is long gone. "Having accomplished what they set out to accomplish after the war, none of the parties today any longer serves Japan's needs," Kenichi Ohmura, a well-known management consultant who recently staged a reform movement to change all of Japan's political parties, said recently.

The problem with the argument is that although it may make sense in American terms — politics often turns on pitting the interests of producers against consumers — no one knows whether it will have much appeal in Japan.

Moreover, the rebels who downed Mr. Miyazawa are old wine in new bottles. Ichiro Ozawa, the "reformer" who masterminded the coup, was trained by Mr. Kanemaru, and before that by Kakuei Tanaka, the prime minister most associated with the Lockheed scandal of the 1970's and a range of other shady deals.

In short, what could emerge from all of this turmoil is more of the same.

JAPAN: Rebel Political Leaders Promise Flexibility

Continued from Page 1

day. "It is seen as a certainty that it will fall below a majority."

That means Mr. Miyazawa is likely to be out of a job only weeks after the summit meeting of the Group of Seven, a situation for which Mr. Kato said Mr. Hata and other Liberal Democratic Party defectors bear responsibility.

"You were a finance minister and you attended summits many number of times, so you know as well as anyone about the international importance of the summit," Mr. Kato angrily asked Mr. Hata during a joint television appearance. "Why did you do this?"

summit countries will say. "Japan's not a true democracy."

The remarks underline the concern that the political upheaval could jeopardize trade talks with the United States as well as the Group of Seven meeting. Political paralysis resulting from

the turmoil could also delay additional measures to stimulate Japan's limp economy. According to new figures issued Friday, the Japanese economy is showing the first signs, albeit feeble ones, of recovering from its worst slump in two decades. (AP, Reuters, NYT)

French Marches Protest Immigrant Crackdown

Resters

PARIS — Opponents of a government crackdown on immigration held protests throughout France on Saturday, and two centrist ministers, Health and Social Affairs Minister Simone Veil and Justice Minister Pierre Méhaignier, said they would seek to soften some of the measures.

About 10,000 people, mobilized by anti-racist and human-rights groups as well as the left-wing opposition and trade unions, marched through central Paris, organizers said. Despite the national scope of the protest, turnout was modest, and few major political leaders took part. About 1,000 people demonstrated.

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INTERNATIONAL Herald Tribune

Aggression Rewarded

Seeing that no outside power means to deny it total military victory, Serbia now drops all pretense. Yes, its real goal is to destroy and dismember Bosnia. Not merely to protect the interests of Bosnian Serbs...

very rationale behind the Vance-Owen approach, turns out to have been just one more disposable detail. "I'm a realist," said Lord Owen, echoed by the governments in London and Paris that employed him to create the illusion of principled diplomacy.

How About a Trade-Off?

The Japanese trade surplus is, as the White House correctly says, too big. It is a menace to the world's economic stability. In the current trade negotiations, the United States is pressing Japan to reduce that surplus by half over the coming three years.

on another country to address its outsized trade imbalance, the Clinton administration ought to be prepared to do the same thing. But it would not be easy. In both countries, changing the trade patterns would mean changing customs and practices that are entrenched in politics and society.

Clinton Hits His Stride

What a difference a week makes. Here was an administration bloodied by self-inflicted wounds and reduced to arguing that it was not incompetent. And then, surprisingly, came three real achievements on a single day: committee approval in both the Senate and House of President Bill Clinton's national service program...

impression that he dislikes the press, and in most of it one could detect the supple hand of David Gergen, the Reagan memoirs scribe recruited to reshape Mr. Clinton's public relations strategy. Howling in the wings, Mr. Gergen delighted in his pupil's confidence. After one particularly apt presidential tip, the beaming impresario was heard to whisper, "That was perfect."

Other Comment

Clouds Over the G-7 Summit

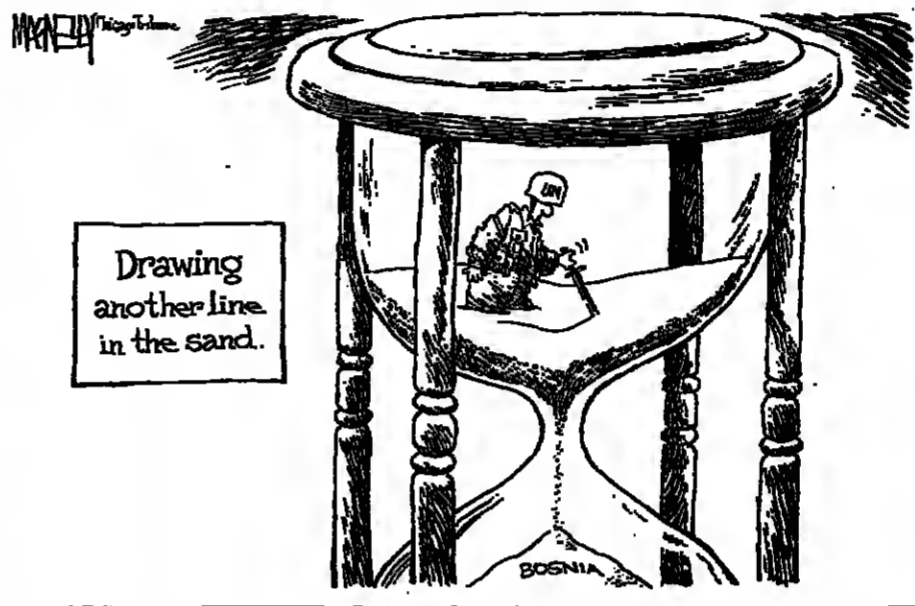
There cannot be much hope that Japan will agree to overhaul the trade imbalance with the United States in talks in Tokyo on June 27-28. Or that the Group of Seven summit in Tokyo will bring an understanding among North America, Europe and Japan...

Take Cover: America Hands Off to the UN

By Stephen S. Rosenfeld

WASHINGTON — Indecisive on Bosnia? Not me, President Bill Clinton insisted this past week in a defense of his foreign policy. In Bosnia, he said, he made a decision and stuck to it, but the allies would not go along: "The United Nations controls what happens in Bosnia."

and the policy turned out to be unworkable. But he does not address the decline in purpose and resources that has left the United Nations with diminishing capacity for going it alone. Others see a need not for less multilateralism but for more. Former UN Undersecretary-General Brian Urquhart, for one, is plugging establishment of a standby military force of international volunteers that, until Security Council authorization, the secretary-general could dispatch for timely peace enforcement in a local dispute.



From Japan to France, a Bad Day for Free Trade

By Philip Bowring

HONG KONG — Last Friday was the worst day for the world economy since the invasion of Kuwait, perhaps since the 1973 Middle East war spawned a fourfold oil price rise. It was not just the day which saw the demise of the Liberal Democratic Party political machine that has governed Japan for almost 40 years. It was also the occasion of the most protectionist speech by a senior Western head of government in many years: President François Mitterrand of France urging the European Community to impose barriers against "foreign goods produced in social conditions that cause such an imbalance in the costs of production that we cannot long put up with them."

lock in Tokyo. Lack of stronger sense of purpose means that domestic problems must be settled before external ones can be tackled, even when there is little direct connection between the two. How different things looked just a week earlier. The United States and the European Community had reached an accord on oilseeds. A new GATT director-general was getting off to a flying start, confident of early success. The Clinton administration was starting to back away from the

inevitably on the person of the top UN bureaucrat, Secretary-General Boutros Boutros Ghali. His critics find him a power grabber slyly maneuvering to shrink the sovereignty of his nominal betters among the members. No doubt he is an ambitious man. But it is ridiculous to imagine that the 183 members of the United Nations, including the mighty, cannot protect their turf against their clerk. I would not defend Mr. Boutros Ghali's every step, but it seems to me obvious that most of his initiatives serve a desperate effort to perform the impossible missions, particularly in peacekeeping, that the members have heaped upon him.

lems have more to do with its overvalued currencies, hugely wasteful farm subsidies, and social systems that discourage mobility and flexibility of labor, than with Asian sweatshop labor destroying European industries. As for the future, the threats to Europe come not from countries with cheap, unskilled labor. These, after all, need to buy capital goods that they mostly do not produce. The real threat is from newly industrialized nations, such as South Korea, getting out of cheap labor products into sophisticated goods that undercut the exports of self-indulgent Europeans in third markets. In the years ahead, the really tough competitors in this field may be countries of the former Soviet empire if they can harness their combination of high technical skills and low wages once the transition from communism to the free market is complete.

The Uruguay Round of world trade talks has missed the flood tide again — and perhaps forever. How different things looked just a week earlier.

virtues of "managed" trade. Prime Minister Edouard Balladur of France sounded as though he wanted an agreement to liberalize world trade. And Japan was under pressure, as host to next month's meeting in Tokyo of the Group of Seven leading industrial powers, to offer agricultural concessions that would have clinched an accord between the United States, the Community and Japan. Now, with Mr. Miyazawa crippled, the Uruguay Round has missed the flood tide again — and perhaps forever. It is hard to say whether the government that eventually emerges in Tokyo will be good, bad or indifferent for trade accords. On the one hand, it may be less beholden to the part-time rice farmers whose votes have been so important to many Liberal Democratic members. On the other, a younger generation may be more willing to take risks regard-

developing countries casts doubts over the desirability of any global agreements that promote freer trade. In the longer run, such a benighted attitude threatens to cause a lot more damage. The Community likely will impose anti-dumping duties on the basis of quite arbitrary assessments of social conditions in supplier countries outside Europe. Compared with such opaque standards, fraught with racism and corruption, quotas and subsidies will seem almost benign. Some developing countries have, it must be said, helped to create conditions for such attitudes. A case in point is China, with a depreciating currency that boosts exports while tight controls remain on imports. Other developing nations in Asia and elsewhere are notorious for child labor or appalling standards of safety for workers. But Europe seems not to notice that its unemployment prob-

When Saving the Family Only Makes Matters Worse

By Patrick Murphy

CHICAGO — Take any floor of a typical low-income housing project. In one apartment, there might be a single woman in her mid-20s with two kids, struggling on a meager welfare check to keep the children dressed, clean and in school. Down the hall is a family of six. Despite months of looking, Mom works as a maid and Dad, unemployed, does a few odd jobs. At the end of the hall, there is a heavy crack cocaine user. Her boyfriend is also a drug supplier and when he gets angry he hits the kids. Sometimes they lock the kids in the apartment and go off for hours of partying. The state decides to make life easier for one of these families. Which one? Under welfare laws in Illinois and other states, the mother doing drugs and allowing her boyfriend to belt the kids is the only one entitled to a free housekeeper up to five days a week. She can also receive up to \$2,000 for a security deposit and the first month's rent on a new apartment, as well as furniture and up to \$500 in cash. So-called family preservation programs like this are in place in more than 30 states and receive more than \$295 million in federal funds a year. The Clinton administration is seeking \$1.4 billion for family preservation over the next five years. In Illinois, the Department of Children and Family Services spends \$20 million a year on such programs. Proponents of family preservation argue that it is cheaper for taxpayers and better for abused and neglected children to remain at home rather than be thrown into the often cruel foster-care system. In some cases, this is true. But in many cases, giving services and money to parents who have abused their children does nothing but reward irresponsible behavior. How does it work in real life? In

December 1991, the aunt of a 3-year-old girl told the family services department that her sister and her sister's lover had physically abused the child. State investigators confirmed the abuse: The child had bruises and rope burns on her body. Instead of bringing the case to court, the department provided a housekeeper and a social worker who between them went to the home a total of 37 times over the next 90 days. The housekeeper helped the mother clean up and make dinner. The social worker took her out for meals and shopping. On March 7, 1992, the aunt telephoned the family services agency again, pleading that the child was still being abused. The agency ignored her. On March 17, the agency closed the case with a glowing report on how well the family was doing. Several hours later, the girl was dead. An autopsy revealed that boiling water had been poured on her genitals and that she had been struck on the head with a blunt instrument. Her body was covered with 43 scars, bruises and rope burns, most of which had been made in the previous few weeks. She weighed 17 pounds. This is not an isolated incident. This spring, a drug-abusing mother, who had been charged with criminal battery of her 2-year-old daughter, was given family preservation services after authorities found the girl and her 8-month-old brother eating out of dishes encrusted with rotten food and swarming with flies. Five days after the services began, the young boy was dead. Apparently the 2-year-old girl had tried to give him a bath while her mother slept into the afternoon. In 1989, the Illinois Legislature commissioned a three-year study of the family preservation program by

get public assistance if they take on the extra burden. If there is no relative to care for the children, they should be placed in foster homes. If the parents straighten out their lives, they can reclaim the children. Indeed, the goal of reuniting their families should be an excellent incentive for parents to kick drug habits. Bribing abusive parents with housekeepers, cash and new apartments will only make them worse. The writer is the Cook County Public Guardian, whose office represents abused children and the disabled elderly. He contributed this comment to The New York Times.

The Basics Take Over The Docket

By Robert Guffra

NEW YORK — The Supreme Court justices may be feeling lonely because they are becoming increasingly irrelevant to America's central political debates. They will have to get used to their lower political profile. A glance at the docket shows that the court is not likely to issue any blockbuster decisions before the term ends later this month. The nomination of Ruth Bader Ginsburg has provoked controversy only over the selection process. Her confirmation hearing will not — and should not — be an inquisition. Since Bill Clinton's inauguration, the focus on such issues as abortion, gays in the military and school prayer has shifted from the unelected justices to Congress and state legislatures. As battlegrounds for debate on abortion, the Freedom of Choice Act and the Operation Rescue Bill have replaced Roe v. Wade, Webster v. Reproductive Health Services and Planned Parenthood v. Casey. For most of the past 30 years, by removing a series of controversial issues from the political process — among them abortion and the death penalty — the court loomed large. Now that it is more conservative than the president and Congress, it is

likely to remain distant from the fray, because the justices are predisposed to uphold legislative action. The Rehnquist court is not likely to strike down liberal measures passed by Congress and signed into law by President Clinton. Over the past few years, it has backed off from using its political weight several times; it showed no interest in aggressively applying the Fifth Amendment clause that prohibits the state from taking private property without "just compensation," and it reaffirmed the constitutional-ity of rent control. It might take a closer look at affirmative action or campaign finance legislation in upcoming terms, but those are about the only wide-reaching political issues it may consider. The justices seem to want to be left alone. Perhaps because they are finding themselves in agreement with like-minded Reagan and Bush appointees in the lower federal courts, or want to avoid more bruising internal battles, the number of decisions issued has declined steadily since 1987. This term they will issue about 100 decisions — down from an average of 150 per term over the past decade. They refused in November, by a 6-3 vote, to review a strict Guam abortion law. And they denied review of the San Francisco Police Department's affirmative action plan in March without comment. The administration's solicitor-general is not likely to press the conservative justices into action by bringing divisive issues to their attention. Now, as in much of the 19th and early 20th centuries, the court has been left to decide technical legal questions, not the great moral dilemmas of the day. The justices spend their time this term in interpreting such, relatively inconsequential statutes as the 1940 Soldiers' and Sailors' Civil Relief Act, the 1982 Debt Collection Act and the Longshore and Harbor Workers' Compensation Act. The caseload has become so dull that a "big" case involved the question of whether the First Amendment protects the sacrifice of animals in religious services (it does). Perhaps the prospect of becoming the junior justice on a court relegated to resolving tax, bankruptcy and securities cases is what prompted Governor Mario Cuomo to stay in New York. The court needs someone knowledgeable in the intricacies of business and administrative law (such as Judge Ginsburg), not a skilled politician. As the nation's political winds shift, the court may again return to the forefront. In the meantime, the justices can direct their energies to the low-profile but important business of making the legal system more efficient — something they have neglected for too long. The writer, a lawyer, was a law clerk to Chief Justice William Rehnquist from 1988 to 1989. He contributed this comment to The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1893: Treasonous Talk

PARIS — The Cocarde, which has accused so many men of treason, last night [June 21] accused M. Clemenceau of that offense. M. Edouard Ducreux, its editor, says that the Parliamentary sitting two days ago at which M. Clemenceau was so badly used, was only the prelude to a series of revelations of exceptional gravity to be made in Parliament and in the press.

1918: Turkish Attacks

NEW YORK — The State Department issues information on despatches received from the American Minister at Teberan announcing that Turkish troops have seized the American and British consulates at Tabriz, and have pillaged the American hospital in the same town. Mr. Lansing says that he has ordered an immediate inquiry into the facts. There does not appear to be any doubt here that Turkey has acted according to precise instruction from Germany.

1943: 'The Great Ship'

SOMEWHERE IN ENGLAND — [By John Steinbeck. From our New York edition:] The tide is turning now and it is after midnight. On the bridge, which towers above the pier buildings, there is great activity. The lines are cast off and the engines reversed. The great ship backs carefully into the stream and nearly fills it to both banks. But the little tugs are waiting for her and they bump and persuade her about until she is headed into, and they hang beside her like suckling ships as she moves slowly toward the pier. Only the M.P.'s on watch among the sleeping sailors see the dim outlines of the ship in the dark. It happens to so many men here that they are not awake when the ship is being moved. A great major is winking, his hands in a medical bag. An Army nurse in operating uniform stands by holding the doctor's white gown. The anonymous soldier, with the dangerous appendix, is having his stomach shaved by another Army nurse.

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A Special Report

Denmark and the Oresund

Monday, June 21, 1993 Page 8

Copenhagen Looks East To Forge Regional Hub South Sweden Part of 'Gateway' Idea

By Christopher Follett

COPENHAGEN — After losing the Danish-Swedish war, Denmark signed a humiliating peace treaty in 1658 relinquishing to Sweden the provinces of Scania, Halland and Blekinge across the Oresund, the narrow Baltic sound. Hence Copenhagen's peculiar geographic location today at the eastern extremity of the country.

Later Danish attempts to regain Scania failed, but southern Sweden — Danish territory for 700 years, only Swedish for 335 — still feels close to Denmark culturally. With Sweden knocking at Europe's door and plans afoot to build a road and rail link across the Oresund, the region on both sides of the sound seems headed toward becoming a hub of development and innovation at the mouth of the Baltic. And Copenhagen appears on the verge of winning back some of the benefits it lost in a dark chapter of its history.

The Copenhagen urban conglomeration, which includes the capital and the key towns of Elsinore, Roskilde and Koge in the east of the main Danish island of Sjælland, has a population of around 1.6 million. And 700,000 Swedes live within a 50-kilometer, or 30-mile, radius on the other side of the Oresund.

The area has great potential, according to a recent survey by Ake Andersson, professor of regional economy and director of Stockholm's Institute for Studies into the Future, and Christian Wichmann Mathiesen, geography professor of Copenhagen University.

Centered on Copenhagen and Malmo, Sweden's third-largest city, the region could become Europe's fourth or fifth most important research center, the authors predict, employing 1.5 million people at some of the continent's highest salaries. By gross national product, the region ranks eighth and Copenhagen's Kastrup International Airport is the sixth biggest in Europe by passengers handled.

"The cultural and economic integration of south Sweden and northeast Sjælland is a highly realistic goal; its value for the region in real terms would be at least in the order of \$10 billion," the authors say. "Our estimates are based on experience from other creative regions and conditional on an Oresund link being built and Sweden joining the European Community."

The authors note that 60 percent of Scandinavia's pharmaceuticals industry is in the Oresund region, which is also the home of major science and medical research institutes and production, commercial and service operations. Lund, Scandinavia's biggest university, is near Malmo.

The prospect of Sweden's joining the EC by 1995 has injected a sense of life into Swedish-Danish plans. With 20,000 researchers and

80,000 students at higher-education institutions, the region has a potential that has not been fully exploited, according to Ulf Andersson, who heads the Ideon, Sweden's science park in Malmo.

"There has long been a spiritual link and a bridge of knowledge between our Ideon and Copenhagen University's Symbion science park," Mr. Andersson said.

The Ideon started in 1983 as a private cooperative venture involving Lund University and Institute of Technology, Malmo County Council and South Sweden's Chamber of Commerce. In the past decade three science parks have mushroomed in south Sweden, making Ideon and its offshoots the biggest research park in Scandinavia and the third largest in Europe after those in Cambridge and Grenoble. More than 200 companies have offices in the Swedish parks, which employ around 1,500 people in environmental projects as well as biotechnology, computers and information, medicine, agro-foods and electronics.

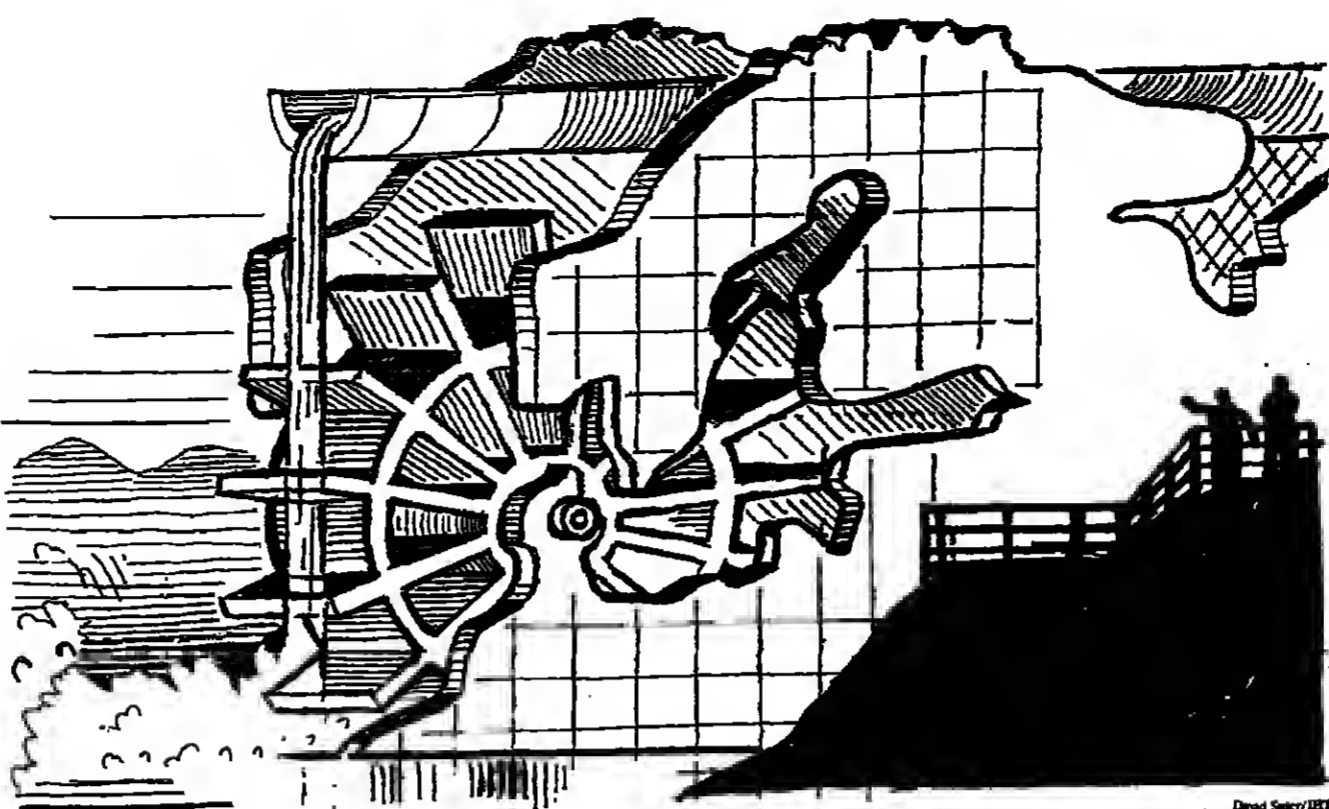
In Denmark, the University of Copenhagen followed Sweden's initiative by establishing, in 1986, the Symbion science park, which also cooperates with the universities of Roskilde and Lund. It houses some 15 concerns, with research concentrated on medical, computer and information technology.

In the past 20 years, there has been remarkably little building in Copenhagen, whose inner city has largely retained its medieval, low-rise ambience, but the present spirit of renaissance has triggered plans for rejuvenation. The plans center on building a new rail link from the airport on the southern island of Amager to the city center, developing vast tracts of harborfront land controlled by the Copenhagen Port Authority for residential and recreational purposes and constructing a 50,000-job business center.

THE city business project, the pet project of Mayor Jens Kramer Mikkelsen, calls for the building of Orestad (Oresund City) on Amager island, along the line of the coming railroad linking the city center with the Bella Conference and Exhibition Center and the airport. Mr. Mikkelsen expects the Orestad project to develop gradually over a period of decades.

As Sweden, Finland and Norway plan to join Denmark as members of the EC by the mid-1990s, and as relationships with the former East Germany, Poland, the Baltic republics and western Russia burgeon, Copenhagen sees itself as the geographical center of a new region, and is poised to regain its role as gateway to the Baltic and the North Sea.

CHRISTOPHER FOLLETT is a Copenhagen-based journalist who reports for Danish Radio and Reuters.



Danes Hear Ancient Call Of the Baltic

International Herald Tribune

COPENHAGEN — Centuries of trading in the Hanseatic League linked the Baltic states of Estonia, Latvia and Lithuania to Denmark, and now that the Baltic states are independent again, the Danes seek to reclaim their old links in the region.

All three Baltic republics have now signed trade cooperation pacts with the European Community and applications have been made for membership in the International Monetary Fund. Wasting no time, the Danish government financed the establishment in Copenhagen of a joint Baltic Information Office and pressed to secure the Baltic republics' representation in the Conference on Security and Cooperation in Europe.

Denmark followed up with a flurry of practical measures to support the emerging market economies in the Baltic states. There are nine Danish government programs, worth more than \$325 million annually to aid former Communist-bloc countries of Europe, with the bulk of the funds funneled to the Baltic states, Poland and the St. Petersburg region of Russia. The assistance includes a so-called democracy fund for reorganizing state institutions, environmental aid and special export credit guarantees, as well as contributions to Nordic, European and international aid plans.

The collapse of the Soviet Union has meant that the nations of the Baltic rim — the Scandinavian countries, the Baltic republics, Poland and western Russia — again see themselves as a region with common interests and aspirations. That has triggered a westerly joint cooperation, consulting activity and new regional organizations such as the Union of Baltic Cities and the Council of Baltic Sea States, a Danish-inspired 10-nation body for cooperation at top government level. And Copenhagen is the headquarters for the newly established Baltic Ports Organization, which links 34 ports in the region.

With privatization plans in the Baltic republics well under way, attractive foreign investment programs have been introduced in all three countries offering major financial incentives.

According to Danish Foreign Ministry figures, Denmark had 40 joint ventures and fully owned Danish enterprises in Latvia at the end of last year. Projects in Latvia include data processing, a sawmill, cigarette making and computer software. In Lithuania, Denmark is participating in development of a mobile telephone system, while nine of the year's new investment programs are in Poland. In Estonia, Denmark has 34 joint ventures, with an eye to using that country as a bridgehead to the Russian market.

Christopher Follett

After 'Yes' to EC, 3 Nordics Say 'Maybe'

By Michael Metcalfe

COPENHAGEN — After nearly a year's political and economic hiatus, the ratification of the Maastricht treaty the second time around by a clear majority of Danes was greeted with almost universal relief by business and industry in Denmark and the other Nordic countries.

The vote, with 56.8 percent in favor and 43.2 percent against, removed an important hurdle to the process of enlarging the European Community with the inclusion of Austria, Finland, Norway and Sweden, all of which have applied to join by 1995.

The results of the referendum prompted an immediate pledge by Denmark's Social Democrat-led coalition government to proceed with moves to cut income taxes and interest rates to revive the domestic economy and create new jobs. The discount rate and other key lending rates were cut sharply, providing business an incentive to borrow funds and plow into fixed investments after almost 12 months of restraint.

But a number of key questions remain unresolved as far as EC membership of the other Nordic states is concerned. And, according to political analysts in the three nations, the prospects of Finland, Norway and Sweden's forming part of an enlarged community by the planned date of 1995 are uncertain.

In Sweden, although the government is focusing on harmonizing rules on inbound foreign investment with those of the EC by the 1995 deadline, political delays suggest that 1997 may prove a more likely target.

With ratification of the European Economic

Area Treaty by the 18 signatory countries held up pending EC-wide approval of the Maastricht treaty, serious doubts have arisen concerning the likelihood of the free trading bloc coming into effect by July 1, as Sweden and other prospective EC candidates had envisaged.

Even assuming that the treaty is ratified by all 18 nations by the end of 1993, and irrespective of the Swedish government's declared intention of joining the community by 1995, Sweden under the treaty's provisions still has until 1997 to harmonize policies governing inbound investment with EC norms.

In Finland, tough EC membership negotiations on regional and agricultural policy, combined with the center-right coalition's increasing unpopularity, make it far from certain that the electorate will endorse terms for membership by 1995. Undermined by deep economic recession, crippling bank losses, mounting public skepticism over the prospect of Finland's becoming a member of an enlarged community, as well as serious internal coalition differences, the four-party government faces a testing time before the next scheduled elections in March 1995.

The Finnish electorate, according to the latest opinion polls, is now more or less evenly divided about joining the community. The latest polls show only about 40 percent of the eligible Finnish voters prepared to vote in favor of EC membership, while 38 percent are opposed and 21 percent are undecided. In earlier polls, the "yes" vote was said to be running as high as 60 percent.

In Norway, the domestic political situation is even more fraught with uncertainty. Norwegian public pressure against becoming part of the

community is as strong as ever and unlikely to abate. It is very doubtful whether a referendum set for 1995 will approve EC membership.

But success in overcoming several of the obstacles to EC membership was achieved by the Labor government by the end of 1992. First, the Norwegian parliament ratified the European Economic Area accord, making Norway a member of the 18-nation free market stretching from the Arctic to the Mediterranean. And second, parliament endorsed a formal application to start EC membership negotiations, which are taking place in Brussels.

Although the minority Labor government will press on with its agenda, national elections in September will almost certainly produce a change of government.

Moreover, Norway's interests in maintaining control of its giant offshore energy resources has emerged as a major bone of contention in the EC negotiations. As two of the North Sea's top three oil and gas producers (together with Britain), Norway and Denmark have teamed up in a drive to stall a planned EC directive to boost competition in offshore exploration and drilling. The proposal would bar EC members from according home-based companies preferential treatment in the granting of drilling licenses and prospecting concessions.

Norway is extremely sensitive to any EC-related issues thought to impinge on its national sovereignty and regional powers. This attribute is shared by the Nordic nations and will continue to pose problems with the EC.

MICHAEL METCALFE is a journalist based in Denmark covering the Nordic region.

Swedish Area: We Know We Need Bridge

By David Bartal

STOCKHOLM — Businessmen and industrialists in southern Sweden are impatient for work on the bridge over the Oresund strait to start, now that the governments of both countries have officially made up their minds following three decades of sporadic negotiations.

Where to dine in Copenhagen

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in the way of foreign investments.

The decision by the Danish and Swedish governments to build a bridge-tunnel between Copenhagen and Malmo, together with a lowering of Swedish corporate taxes, has already led some international firms to make plans to move to the Malmo-Lund region, according to Mr. Cavalli-Bjorkman.

"I have many contacts with international companies in Europe and also Swedish companies who are interested in coming to this part of Sweden," he said. "The planned bridge is the main reason."

One sign of what is to come was the decision last year to move the headquarters of the international packaging group Tetra Pak from Lausanne, Switzerland, back to Lund.

The planned bridge over the strait is a key part of the process of integrating Scandinavia with the larger European market. But the removal of physical barriers by building bridges and tunnels is

only part of this process. Organizational barriers also have to be dismantled.

One border-breaking initiative that will enhance the economic benefits to Sweden of the Oresund bridge was the formation this month of Hansa Rail, an innovative joint venture between the Swedish state railroad, SJ, and its German counterpart.

The company, which will start operations in September, will handle all rail freight transports between Sweden and Germany, offering for the first time regularly scheduled trips for freight between major industrial centers in both countries.

Today, it takes about 12 hours by rail between southern Sweden and Germany, Sweden's main trading partner. This could be cut to two or three hours if and when the bridge over the Oresund is built, and if it is followed up with a tunnel over the Fehmarn strait linking Puttgarden, Germany, and Rodby, Denmark, according to Sigvard Christiansson, project leader for Hansa Rail in Sweden.

"We hope that we can almost double the [rail] traffic between the two countries within the scope of five to seven years," Mr. Christiansson added. "This new company [Hansa Rail], together with the bridge and the tunnel, would mean that we can offer very competitive transportation to and from Sweden."

It is also expected that establishing a direct physical link between Malmo and Copenhagen would allow an integrated Oresund region to reach its full, creative potential as an important center of research and knowledge.

Of course, not everyone in Sweden is applauding the construction of a bridge. The debate here centers upon two related issues: environment and financing.

"One of the big problems is that there will have to be a lot of dredging," says Gørel Thurdin, head of planning in the Swedish Ministry of the Environment. "What will be the effect of this on the marine environment?"

Another question of concern to taxpayers is how the bridge will be paid for. Present calculations suggest that a traffic density of 10,000 vehicles per day will make the bridge self-financing. But critics are not convinced.

The debate over the bridge has raised fears in both countries that the government will, in the end, back down on its commitment.

But Transportation Minister Mats Odell, responding to a question in parliament June 1, reaffirmed that "it is the Swedish government's ambition to push work with the Oresund bridge forward so that construction work can start this year."

DAVID BARTAL is a journalist based in Stockholm.

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Advertisement for 'Investment Opportunities in The Oresund Region' by Ernst & Young, detailing the report's findings and contact information.

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Large vertical advertisement on the right edge of the page, partially obscured and difficult to read.

Denmark and the Oresund

Farmers See Fruit Of Labor Squeezed Is This the 'American Way'?

By Conrad de Aenlle

RINGSTED, Denmark — Farming is always a risky business, and it is especially so nowadays in the dairy and fruit-growing area near this town about an hour's drive southwest of Copenhagen. Imminent changes in the Danish tax code and a new accord on European agricultural subsidies mean an even more uncertain future for owners of the country's 75,000 farms.

The proposed changes in the tax code are expected to be enacted this summer, perhaps with some modifications after discussions with the Agricultural Council of Denmark, which are to begin soon. They would increase taxes on capital gains from farm sales, eliminate a tax credit for investment in new equipment and strike out a second provision that allows farmers to write off part of the value of stored grain.

For Ib van der Zee, who grows apples and cherries on 30 hectares, or 75 acres, just north here, the proposals to eliminate the investment and storage credits by 1998 are especially upsetting.

"These are two bad things, because in the Danish fruit-growing business, you have good and bad years," he said. "When they take these away, you'll get [extreme] fluctuations in income."

Actually, these days it seems there few good years.

"It's awful growing fruit; we don't get back our production costs," Mr. van der Zee complained. "It's very bad at the moment. . . . Land prices are very low and they're getting lower." The going rate, he said, is about 40,000 kroner per hectare, which works out to \$2,500 an acre.

A lot more of the land may be sold soon, contends Jacob Bagge Hansen, assistant director of the

Agricultural Council, who says, "We are on the brink of quite a few foreclosures."

"You can feel the mood isn't good," Mr. van der Zee said. "Many farms are being sold. And now it's getting more and more difficult to sell your farm," thanks to new regulations and the government's tax plan.

Under the present system, said Johan Overgaard, assistant secretary to the agriculture minister, there is no capital gains tax on sales of farms held for more than seven years, so only speculators are taxed. Under the present proposal, 100 percent of the gain will be taxed on farms held less than three years. The percentage that would be taxed falls as the holding period lengthens, until it bottoms out at 70 percent of the gain for farms held for nine years or longer.

Being able to sell a farm tax-free is critical to Danes because of high inheritance taxes. Farmers do not will their land to the next generation; they sell it.

But there have been a lot of next generations — seven of them — on the Ejlekaer family dairy farm near Ringsted, which went into business around 1780. Soren Ejlekaer Nielsen, who has run it since 1977, has taken advantage of the consolidation in Danish farming by nearly doubling his holdings to 115 hectares. He is worried, nevertheless.

Farmers are more indebted in Denmark than in many other countries, Mr. Nielsen said. The ratio of debt to farmers' assets rose from about 42 percent in 1981 to just over 55 percent 10 years later.

Denmark's Agricultural Exports

	1992	1990	1989	1990	1991
Germany	1,491	5,006	7,687	8,562	8,742
UK	3,714	6,804	7,629	7,177	7,276
Italy	1,381	2,963	3,919	3,741	3,618
France	348	1,206	2,402	2,812	3,156
Rest of EC	329	823	2,733	3,376	4,088
Monetary compensatory amounts	859	156	143	256	23
EC, total	8,132	16,758	24,518	25,924	26,905
Japan	346	823	4,726	3,624	4,333
USA	1,368	1,095	2,295	2,432	2,208
Other countries	2,178	6,094	10,270	9,958	10,090
EC Fund restitution	732	3,335	5,685	5,610	5,893
Total ag. exports, in millions of Danish kroner	12,556	28,105	47,494	47,548	49,426

Before 1990 West Germany. EC includes Greece from 1981 and Spain and Portugal from 1986. Source: Danmarks Statistik

The average income of Danish farms is falling, as well. The average full-time farmer earned 135,000 kroner from agricultural work in 1991, down nearly 25 percent from 1989 and just about 5 percent more than farmers earned in 1985. The poor incomes are in spite of constant growth in the average acreage per farm.

Mr. Overgaard said portions of the proposed tax reform package would help to alleviate the rising debt burden. Farmers would be allowed, for instance, to write off paper losses incurred when refinancing loans at lower rates. The saving to farmers would be 1 billion kroner per year, he estimates.

FARMERS NOT only have to contend with their government, but the one in Brussels, as well. The European Community accorded last month on agricultural subsidies is expected to further reduce incomes. Support to Danish farmers, now about 20 billion kroner per year, will fall, agriculture officials say, and perhaps more important, less aid will come from price supports and more from direct payments.

"When you talk direct support, you also talk bureaucracy and paper work," Mr. Hansen said. Beyond that, he said, the new arrangement takes away the advantage that efficient farmers have over their rivals. That's especially critical in this business.

"You can only make money in agriculture if you're more efficient than your neighbor," Mr. Hansen said. "You can't control the price."

Farmers and their families represent no more than 5 to 8 percent of the country's population and account for just 5 percent of gross national product. Still, they are an important segment of the economy, for agriculture accounts for nearly a fourth of Danish exports and is responsible to a great extent for the country's persistent trade surplus. Indeed, Ministry of Agriculture officials note, Denmark is the only EC country to run a trade surplus with Japan.

Mr. Nielsen wonders whether the small percentage of Danes who farm will not keep getting smaller.

"The government is talking about help, but we don't believe it will help us that much," he remarked. "We're afraid we'll have to do it the hard way. Farmers will go broke."

"We call it the American way," he said. "First go the farmers, then go the banks, and then the government will have to do something. Exports will go down, unemployment will go up. It's the wrong way to go."

In spite of the bleak forecast, Mr. Nielsen still thinks there is a fair chance that his 3-year-old son, Johans, will keep the farm in the family for an eighth generation.

"Things change. Denmark has to export something; why not agriculture? It's one of the things we're best at. I think he can do it if he wants to, but maybe he'll be a banker or something else."

CONRAD DE AENLLE is a journalist based in Paris.

Banks Trim Sails and Await Shift in Wind

International Herald Tribune

COPENHAGEN — This is not likely to be a memorable year for Danish banks, but that's just as well after last year, which is one that bankers here would love to forget but can't. The country's four largest banks lost money, and one of them, Unibank, had the largest loss ever by a Danish lender: 4.7 billion kroner, or \$750 million.

The awful results in 1992 have forced banks to cut costs, mainly by eliminating staff, scaling back expansion plans and hoping that the trend toward lower interest rates continues. The stronger members of the industry are expected to return to profitability this year, although only modestly, while the weaklings should continue to show losses, but again, modest ones.

Bankers and analysts attribute last year's setbacks to several factors, including higher reserves against loan losses at home and abroad, high interest rates and the erratic Danish economy.

Bad loans are an especially big problem for Unibank, Denmark's second-largest lender set aside 6.3 billion kroner last year to cover bad or doubtful debts, up from 5.4 billion the year before and more than triple the figure from 1989. By comparison, bad-debt provisions by Den Danske Bank, the largest, rose just 2 percent last year to 2.9 billion kroner.

The difference reflects Den Danske's relative reticence to commit depositors' money to overseas projects.

"We are conservative in our lending approach and we consider matters quite thoroughly before lending," said Knud Sorensen, Den Danske's chief executive. "The quality of our assets is quite high. . . . We have not scaled back abroad, but we are careful."

Unibank was less careful. While it did not show the best judgment in lending in Denmark, it was in foreign loans that it really erred. Exposure in Britain, where it lent substantial amounts to the London Docklands project, is an example. "Unibank has lost over 1.5 billion kroner abroad; that's quite a lot of money for a bank like that," remarked Sasha Serafimovskiy, who follows Danish banks for Merrill Lynch. "The mistake they made was in not clamping down early enough."

Lars Eskesen, Unibank's deputy chief executive, does not dispute that assessment. Explaining what he termed "less favorable results"

last year, he said: "We were too heavily engaged in property lending in London and Copenhagen."

Denmark's banks have also labored under interest rates that arguably are the highest in Europe in real terms, that is, when the rate of inflation is subtracted from the nominal rate. After having raised rates in the mid-1980s to bring inflation from the economy, central bankers have been forced to keep them high by Germany's persistently high rates and by the initial "no" vote last year on the Treaty on European Union, which raised doubts in capital markets that the krona would remain in the European exchange-rate mechanism.

The period leading up to the second referendum, which was approved as expected, saw 10-year Danish rates fall by more than a percentage point and their spread over German rates narrow. The strong performance has come in spite of a clause in the Maastricht treaty that allows Denmark to opt out of European Monetary Union when it finally happens. That is because the government has said it will meet the conditions of EMU, at least for the time being.

"We are joining the second phase without reservation; there are a full member," declared Erik Hoffmeier, governor of the Danish National Bank, which regulates banks and sets monetary policy. But then it gets tricky. "We'll have to have a referendum on the third phase, the common currency. I'm not sure that such a referendum will turn out in a positive way."

AFTER the pounding the industry took last year, Danish lenders are cutting expenses and slimming the scope of their operations. A good example is Nytkredit, one of Denmark's three big mortgage institutions and the only one among them and the four largest banks to record a profit in 1992. The secret, says Mogens Munk Rasmussen, Nytkredit's chief executive, is to be cautious and think small.

"The difference between success and failure in the financial business is how to bundle the risk profile," he advised.

After merging with the insurance company Tryg, Nytkredit recently divested it, choosing to concentrate on its core mortgage business. The lender is also cutting its staff, as are many others.

Mr. Serafimovskiy of Merrill Lynch said that when the consolidation is completed, about 25 percent of the work force will have been eliminated at Denmark's larg-

er banks. He reckons the reduced costs should help operating profits increase 12 to 15 percent this year. Rosie Erskine of Barclays de Zoete Wedd also sees better days ahead. "We expect provisions to go down this year, and operating profits should improve greatly," she said. "The problems have not disappeared, but they have certainly bottomed out."

Conrad de Aenlle

Region Stakes Future on Disputed Link

Michael Metcalfe

COPENHAGEN — A \$6-billion road and rail project to link the Scandinavian peninsula with Continental Europe and spur growth in the region has run into serious snags. According to a number of politicians and specialists involved in the project, the nine-mile (14.5-kilometer) bridge-tunnel designed to bind Sweden and Denmark across the Oresund strait by the end of the decade has hit a series of political and environmental roadblocks that could force postponement until well into the next century.

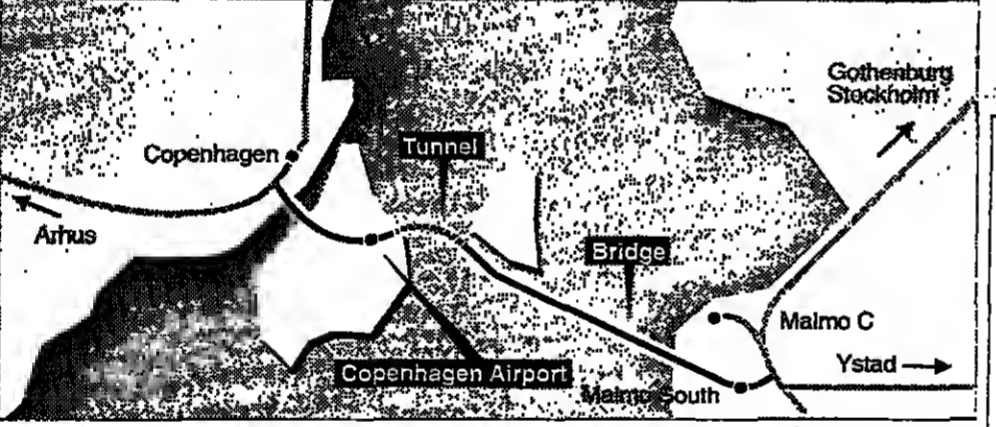
The project is widely regarded as crucial to the development of the region into a competitive area that would attract commerce and industry and help move the region into the mainstream of European economic growth and prosperity.

But Danish and Swedish environmental groups recently seized on several new reports condemning the project in its present form to rekindle resistance against the bridge-tunnel.

The road-rail link was approved by both the Danish and Swedish parliaments in 1991. But with changes of government in both countries since that time, and with the inclusion in governing coalitions of political parties opposing the plan, pressure is mounting for other alternatives to be considered. These would include a submerged tunnel restricted to rail transport, at a far higher cost than the original plan.

Environment Minister Svend Auken of Denmark has fended off the criticism so far, stressing that he regards it as certain that the link will go ahead, allowing for a few minor alterations to take account of environmental factors.

Several recent and updated cost estimates for the entire project reveal a shortfall of about \$100 million a year in building the link, which is expected to take five years to complete. The Social Democrats, senior partner in the Danish majority coalition, want taxpayers to foot the extra bill, but this has been met with staunch



resistance from the other coalition parties and the parliamentary opposition.

Any ensuing delays would have wider repercussions for other infrastructure projects in the so-called Oresund Triangle, which contains Copenhagen and the Swedish towns of Malmö and Helsingborg on the southern Swedish coast via Gothenburg to the Norwegian capital of Oslo.

At risk would be parts of a 98-billion Swedish krona (\$13.5 billion) package of new infrastructure projects. All the projects will be subject to competitive tenders that conform to EC rules on open bidding, and several major Swedish companies and a number of French, German, Danish and Italian firms have already expressed an interest.

Norway will also be seriously affected by a delay in the Oresund link. In its 1993 budget, the government unveiled a 25-billion kroner (\$3.65 billion) plan to upgrade the nation's infrastructure, which will mark the second phase in overhauling Norway's roads and railroads to improve links with major trading partners to the south.

The Oresund link is also important in the sense that it forms just one of the three separate but interdependent bridge and tunnel projects, which will provide the Nordic countries fixed links to the European Continent via Denmark and Germany.

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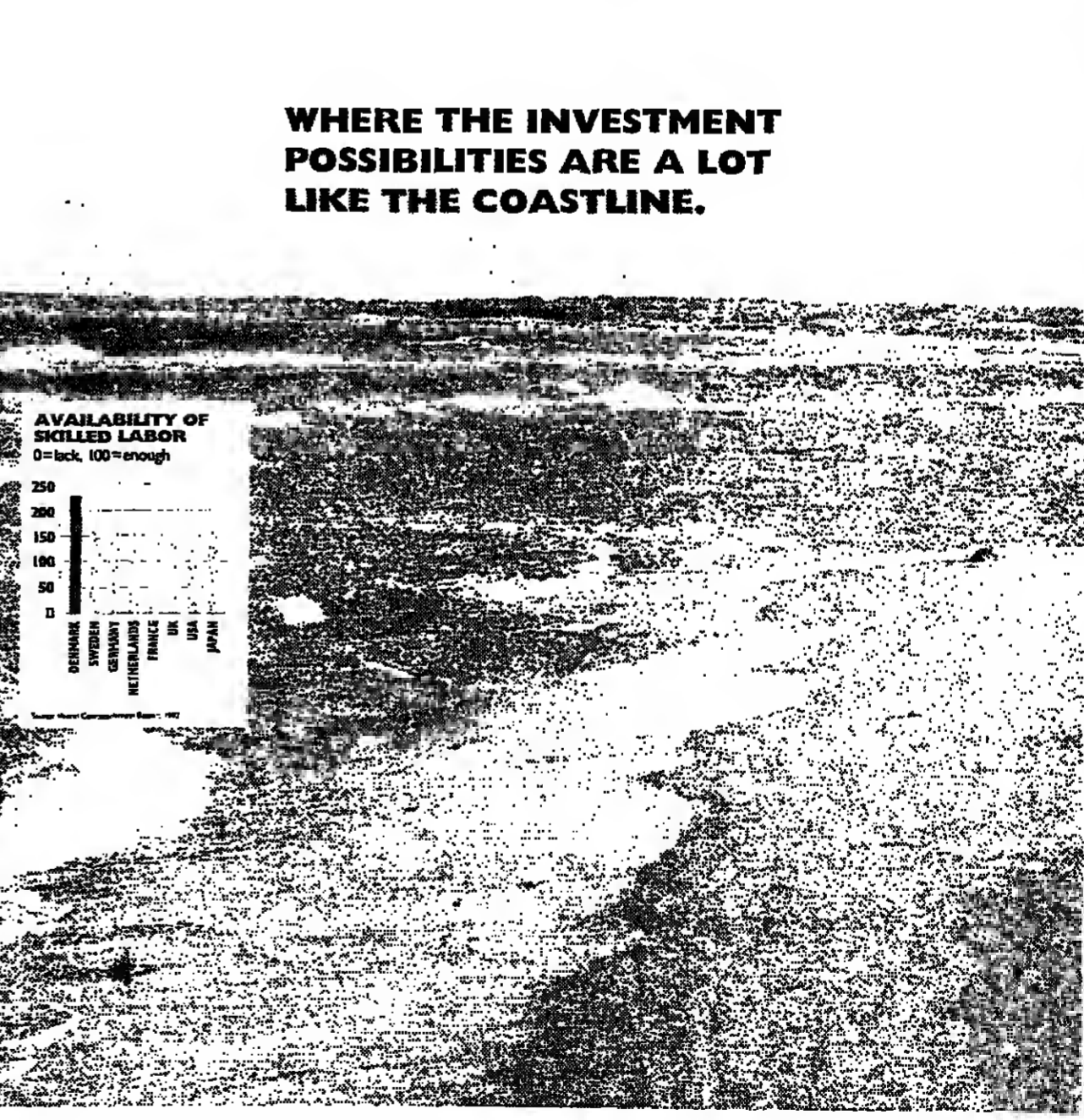
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Mergers and Acquisitions

Banking Industry Savors Taste of Consolidation Some Benefits Are Slow to Digest

By Conrad de Aenlle

PARIS — The series of large, high-profile bank mergers that began around the start of last year has by most accounts gotten the banks what they wanted: more capital, more business, less expense and less competition. The consolidation is likely to continue, say bankers and those who follow the industry, especially in the present environment of economic stagnation and poor loan demand.

The U.S. mergers began with the December 1991 stock swap that united Chemical Banking with Manufacturers Hanover. Shortly after that, the regional banks NCNB and C&S/Sovran, which itself was the product of a merger, combined to form NationsBank Corp.

The acquisition of Security Pacific by BankAmerica in a stock swap in April last year boosted the California bank's assets to \$180 billion. But in this case, as in the Chemical alliance, bigger was not the objective. In one sense, they wanted to grow smaller, by closing branches and cutting staff.

The banks seem to be meeting their goals, by the reckoning of many observers, although not necessarily as quickly and smoothly as they had hoped.

"The jury is still out a little bit, but in recent years the mergers that have been announced have included efficiencies and cost savings as part of the plans," said Jim Schmidt, who manages the John Hancock Freedom Regional Bank Fund. "A lot of banks have realized a 20 percent to 30 percent reduction in noninterest expenses."

But it has not always been easy. He cited two examples. Chemical and Comerica Inc., a medium-size bank headquartered in Detroit that bought Manufacturers National late in 1991.

"The savings have been slower to be realized than the managers thought," Mr. Schmidt commented. "If you haven't been through a merger before, you tend to overestimate the savings. On paper you can say, 'We can lay off 18 percent of the staff.'"

The reality, though, is different. There are severance costs, and many of the people who are left have to learn a new operating system. That means overtime. And then, he said, there are all the little things, like printing new stationery.

Nancy Straker of Fitch Investors Service said of the Chemical deal: "There's been

good satisfaction with the results, although the assimilation is not complete. The area where they're still ironing out details is in the retail side. . . . It's something they want to do deliberately and not hurt their customer profile. Where they've done best is in the growth of corporate banking."

Chemical says in its 1992 annual report that its merger-related savings of \$280 million last year exceeded the bank's target of \$225 million and that "we continue to be confident of achieving total merger savings of \$750 million, of which \$325 million will be realized by the end of 1993."

Peter Tobin, Chemical's chief financial officer, said that while a couple of floods of all things, slowed the integration of branches, the operation has actually proceeded without much difficulty, albeit a bit behind the original timetable.

"All branches are now integrated," Mr. Tobin said. "It's gone very, very smoothly. We really didn't lose much in the way of savings. Now we expect the closings of branches, now that the integration has been accomplished, to be completed by the first quarter of next year."

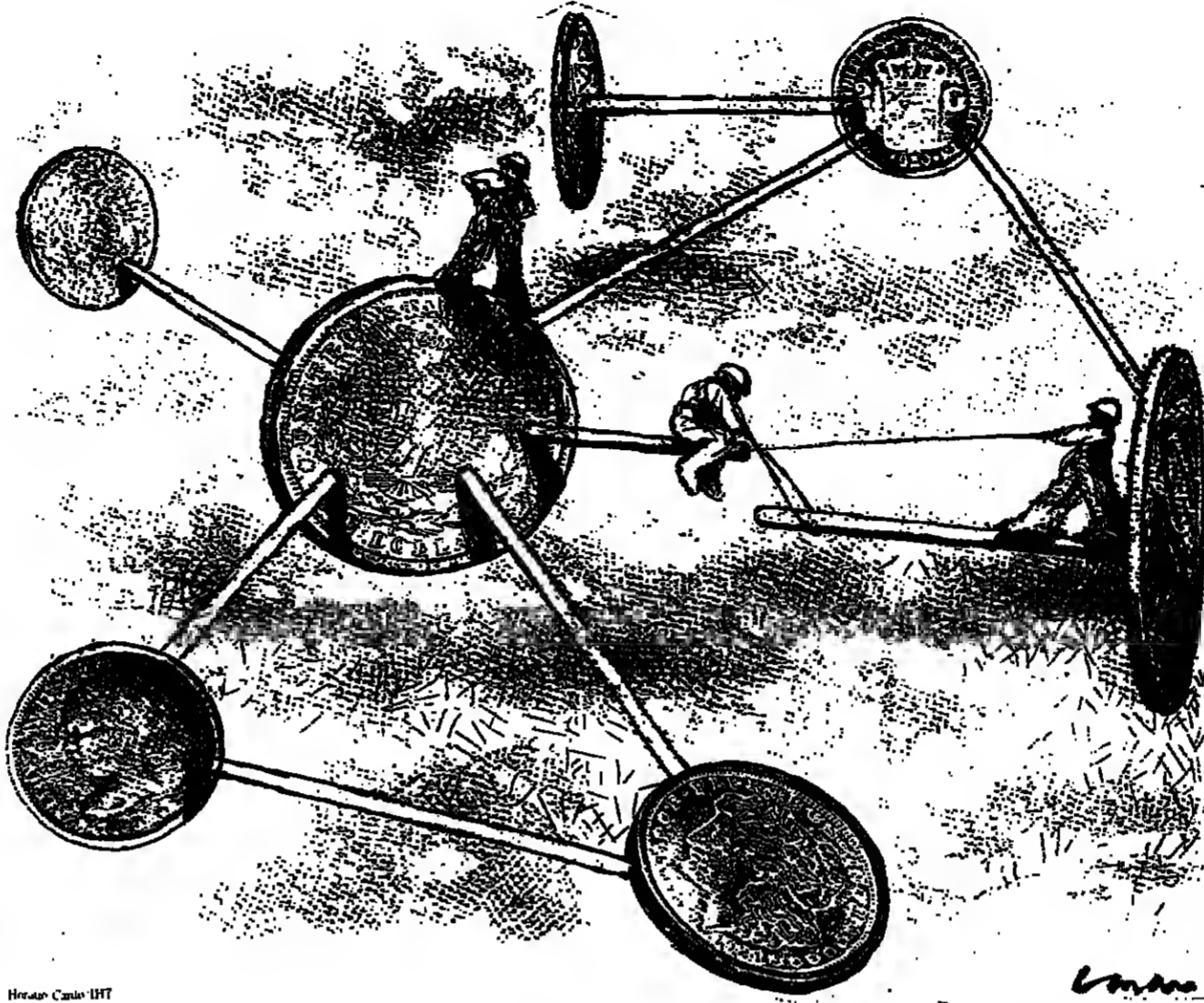
WHEN it's finished, the bank will have closed 80 branches, leaving about 450. In the process, 6,200 jobs will be lost through retirement, attrition and layoffs; so far, all but 700 of the cuts have been made.

"We did a couple of things right," Mr. Tobin said, looking back on the mechanics of the merger. "One is we focused on the customer. . . . We wanted to avoid disrupting the customer as much as possible. We were operating two separate branch networks for a period because we couldn't give them the same service by merging them earlier."

Asked what he wishes had been done differently, he replied: "Some of the integrations could have been handled better. Planning work on any of these things needs to be well tested before the actual events are about to take place. You have to put an emphasis on control in these processes."

The merger that created NationsBank was, from the start, a different sort altogether from those of Chemical and BofA. The key there was growth, not cost cutting. When bank mergers are done for that reason, Mr. Schmidt said, "in many of them, there's no overlap geographically. . . . They don't

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Heine/Cable USA

Survivor of the '80s Surveys U.S. Scene

By Lawrence Malkin

NEW YORK — Brian Finn, a boyish numbers cruncher who started out on baseball statistics, is a footnote to history in "Barbarians at the Gate" and a satisfied survivor of the Great Merger Wars of the 1980s. The days of glory are gone, he says with a sigh of both remembrance and relief, "because what happened then really was a very small part of our lives; an absurd instant in a time that disappeared."

Mr. Finn came to First Boston Corp. 11 years ago as an analyst out of the University of Pennsylvania's Wharton School and now is the

firm's co-head of mergers and acquisitions. Securities Data Co. ranks First Boston, with 137 deals worth \$39.2 billion, as first in 1992 M&A business in the United States, just ahead of its major rivals, Goldman, Sachs & Co. and Morgan Stanley Group. Like most investment banks, its deal portfolio is being fattened by the structural changes in telecommunications, banking and insurance, which are consolidating as their industries streamline and jump national or state borders.

A few hotshots have just been lured away by smaller firms for bigger salaries than First Boston is prepared to pay, as the new employers' hope they can make a big score on the front pages. But Mr. Finn and his M&A staff of

about 100 are not concerned, because big knockout deals are probably not going to happen again soon.

Most of the bread-and-butter business that keeps his division going, he said, "poses no ethical dilemmas — it is about providing advice and service to clients." Like getting on a plane and spending three days in a Rust Belt city going through the books of a small engineering company trying to sell itself to a bigger one on the basis of a technical or marketing franchise.

"Yeah. Really fascinating stuff," Mr. Finn said. He sits in his 41st-floor office next to his

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Europe Looks Again at the Art of the Deal

Privatization Programs Offer Rare Opportunity As Activity Slows Down

By Jacques Neher

PARIS — People do not like to get married under stormy skies, and neither do companies. Buffeted by the winds of economic recession, political discord, bribery scandals and a not-so-distant war, European companies have substantially cooled their ardor for mergers and acquisitions.

Experts now say that while there is still substantial need for European companies, particularly smaller ones, to engage in cross-border alliances in order to strengthen market access and protect competitive positions, the high level of M&A activity seen in the late 1980s is not likely to be repeated in the foreseeable future. Aside from Europe's privatization programs, which are expected to generate disposals of non-core assets before, or soon after, privatization, there is not much excitement in the M&A trade these days.

"The M&A market is going nowhere fast," said Andrew Blackman, assistant editor at Acquisitions Monthly, a British trade magazine. "There was an expectation that things would pick up in 1993, but it hasn't happened and the immediate outlook is fairly bleak."

Indeed, in the past four quarters, the amount of cross-border European M&A activity tracked by KPMG International in Amsterdam has fallen off dramatically. In the first half of 1992, there were 564 deals totaling \$27.3 billion in which control of a European company was transferred to a foreign party. In the next three quarters, there were a total of 711 deals totaling \$20.7 billion. That includes the first quarter of this year, when only 184 deals were tallied, for \$6.66 billion.

Headlining the cross-border activity in 1992 was the £3.7 billion (\$5.5 billion) purchase of Midland Bank by HSBC Holdings and the £2.7 billion merger in the publishing field between Elsevier of the Netherlands and Reed of Britain. The biggest deals so far this year are the \$1.5 billion purchase by Britain's Kingfisher of Darty, the French appliance retailer, and the \$1.3 billion purchase in the pharmaceuticals sector of Erbamont by Procordia of Sweden.

At the current rate, 1993's M&A activity could end up adding up to half that of 1992, and far from the heady peak of 1989, when

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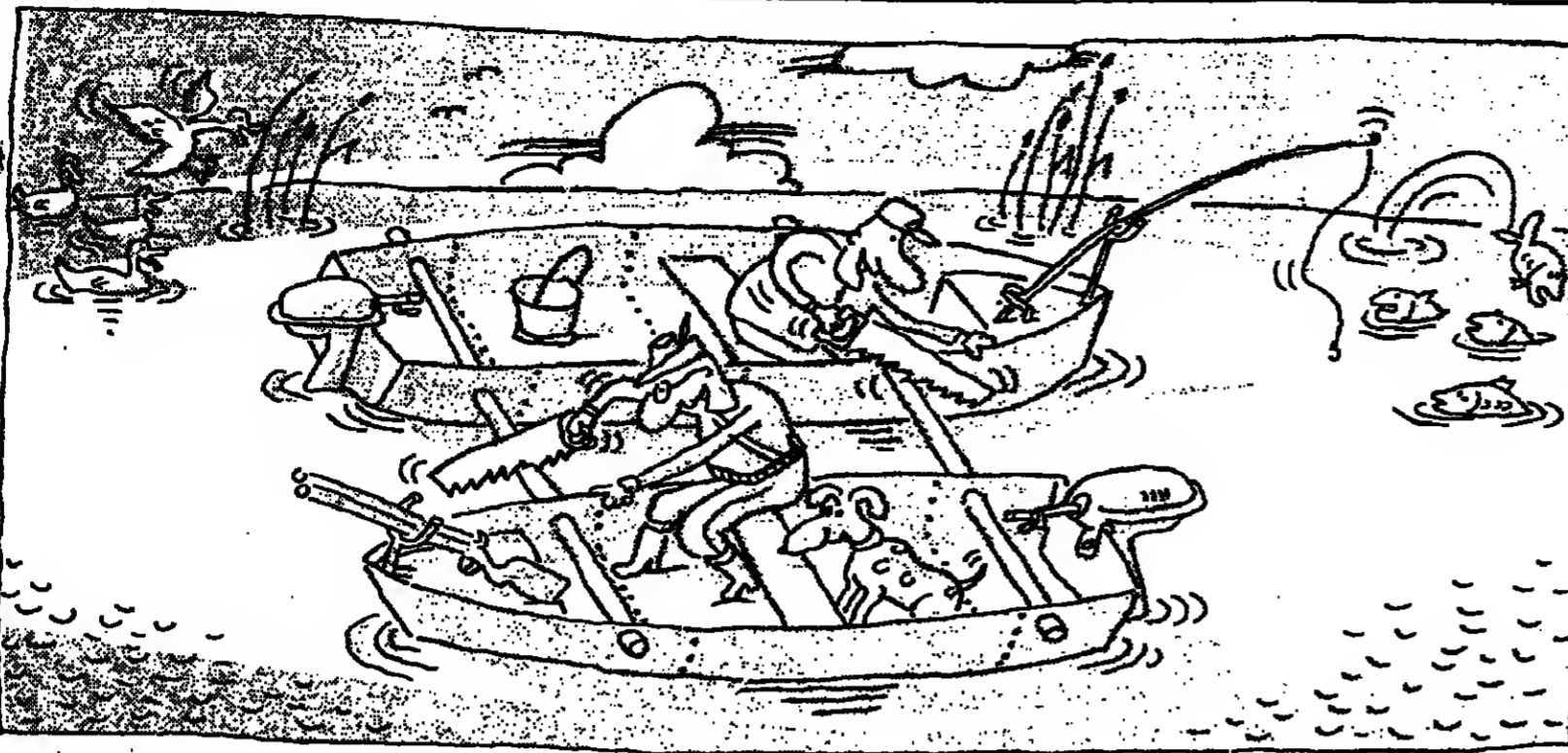
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Mergers and Acquisitions / A Special Report



Marriage, Fund-Industry Style Unions Are Complementary or Lopsided

By Philip Crawford

PARIS — The flurry of mergers in the fund industry over the past 12 months has raised a question that market analysts might have scoffed at just a few years ago: Is a contraction in the offering for a business whose growth has long seemed without bounds? The answer, say experts, is "yes," with qualifications. While analysts agree that the acquiring of comparatively small fund companies by larger ones is indeed an industry trend, they are quick to point out that consolidation can be the product of vastly different circumstances. There are, for example, consenting and complementary marriages in which two healthy firms specializing in different types of funds combine to create a powerful and diverse single unit. But consolidation also occurs when a weak company in a struggling market is taken over, sometimes hostilely, by a stronger competitor seeking simply to dominate.

Franklin's own family of funds has been primarily invested in U.S. fixed-income securities, making the Templeton family a natural complement, Mr. Eisman said. He also said that mergers should continue to increase as more companies seek "major player" status within the global fund industry. "A company with \$7 billion in assets is going nowhere unless it has a great niche," he said. "But because it's still profitable, there are lots of larger companies looking to buy."

Earlier this month, Alliance Capital Management, which manages an estimated \$66 billion for its clients in a variety of investment vehicles that include in-house mutual funds, agreed to purchase Shields Asset Management Inc. from Nervox Corp. Michael Feeley, who tracks Alliance for the New York brokerage Feeley & Wilcox, predicted "more and more combinations" of asset management companies.

T. Rowe Price Associates Inc., another major U.S. fund concern, has also been active in acquisitions. In a deal struck last summer, it acquired six funds from the insurer USF&G Corp., a move that resulted in another good fit of fund products, analysts said. "It

"The biggest precedent for this sort of activity is United Asset Management Corp.," said Mr. Feeley. "Ten years ago they developed a holding company and set out to acquire independent asset management firms. People thought it wouldn't work. They've now got about 33 companies managing \$80 billion in total assets."

Today's climate consists chiefly of mutually beneficial mergers.

was a chance for us to add about \$630 million in assets and \$6,000 shareholder accounts," said Steven Norwitz, a T. Rowe Price vice president. "We're always looking at these opportunities."

U.K. fund industry analysts say that consolidation is a trend there as well, noting the brisk merger activity that has taken place over the past year. In December, Henderson Administration Group PLC acquired Touche Remnant Holdings Ltd. from Société Générale for \$42.5 million (\$64.6 million), pushing Henderson into the upper echelon of British fund companies. Some analysts noted parallels with the Franklin Resources/Templeton deal.

USF&G Corp. is not the only insurance company selling fund operations. In May, The Pioneer Group Inc., a Boston fund management concern, announced a \$23.5 million deal to buy the \$1.2 billion fund business of Mutual of Omaha Insurance Co. Upon completion, the acquisition will increase Pioneer's assets under management by 12 percent to about \$8 billion. "The Pioneer acquisition is also strategically motivated," said William McBride of Lipper Analytical Services Corp., which monitors the global fund industry. "Mutual of Omaha had a lot of variable annuity-type products which complement Pioneer's funds."

The addition of Touche's \$2.1 billion holdings, of which \$1.3 billion was in investment trusts, increased Henderson's funds under management to about \$10 billion. Analysts said the merger was, again, a logical blend, as Touche had been a leader in investment trusts and Henderson's business in that area had been less prominent.

But other mergers, such as Century Life PLC's acquisition of CCL Unit Trusts in September and Capital House Investment Management's buyout of Gresham Unit Trusts in June 1992, are cases of the weak being devoured by the strong, analysts say. Christopher Poll, chairman of the global fund industry monitor Microcap, summed up the current outlook on fund industry mergers: "As the fund industry goes increasingly worldwide, you've got to be part of a major house or have a terrific niche, and we're going to see more mergers as companies realign themselves over the next 10 to 20 years. A lot of firms may be leaving the market, but we'll also see plenty of new firms coming in. I think that's a good thing — new blood brings in new ideas."

PHILIP CRAWFORD is a journalist based in Paris.

Corporate Downsizers Discover That Less Is More

By Conrad de Aenlle

LONDON — When Imperial Chemical Industries PLC spun off its drug division, Zeneca, at the start of the month, it was the ultimate corporate downsizing. The industrial behemoth, with about \$20 billion in annual sales, essentially chopped itself in half, keeping its traditional chemical operations and leaving a new entity of equal size to live its own life and do its own business. The intention, say executives from ICI and Zeneca, was to create two companies that are better and more efficiently run than the original ICI. In the opinion of people who follow matters of industrial management, they may indeed do this. They note that Zeneca today bears little resemblance to the chemical company that spawned it. ICI is "like most traditional British companies; it has a very formalized management structure," said Stephen Montgomery, director for industry and commerce at University College London. "Pharmaceuticals is a young man's game. They've been inhibited in the way they do things." The de-merger will allow Zeneca's management to "make decisions without having to consult the fuddy-duddies."

The original idea was not ICI's own, he added. "It was a guy at Warburg's that dreamed the whole thing up." That guy is John Mayo, who left the investment banker to become Zeneca's finance director. The credit he gets from Mr. Warner is "flattering, but not very close to reality," Mr. Mayo said. "This was industrially driven."

One immediate result of the spinoff is an increase in share value, from 1,082 pence (\$16.45) on Feb. 24, the day before the plan was announced, to 1,317 on Thursday. That's how much a holder of an old ICI share would get from his shares in the two new businesses. Some observers say boosting valuations was the true aim of the de-merger — in the short run, anyway. The good reception the breakup has received among investors has allowed Zeneca to float a £1.3 billion, or \$2 billion, rights issue that will allow present Zeneca shareholders to buy additional

shares. The money will be used to repay debt to ICI. The idea of raising the company's stock price certainly crossed ICI's mind when it planned the de-merger. An announcement to shareholders outlining the proposal set out five reasons for cutting Zeneca loose. Some had a touchy-feely quality to them, such as to "serve as a catalyst for the release of creative management energies"; some were practical, such as to "reinforce enhancing cost reduction and restructuring measures." The last on the list was to "release over time the underlying value of ICI and Zeneca for the benefit of shareholders."

Success in pharmaceuticals, which are high-value-to-weight products, comes to those with the brightest minds; research is critical. A company does not need a lot of capital, and plants need not be erected near markets. Mr. Mayo said two companies with such distinct objectives can best be run distinctly, so that management can offer "clear objectives, different targets, instructions from the top that are more relevant to the business." That's the idea, anyway. "The key of this problem is what makes a firm efficient," said Hugh Wills, an authority on industrial organization at the London School of Economics. "Will it be more efficient in combined form or separately? The major effect you have as a result of mergers or de-mergers is you change the incentive structure for senior corporate executives in such a way as to make them more focused and make the operation of the company more efficient. You're trying to move to a structure in which those incentives are better."

Does it work? "Don't ask me," he answered. Scott Bok, executive director of Morgan Stanley International, thinks it does. "In general, companies are better run" after being split, he said. "They get out from under a conglomerate; their performance takes on more meaning." He noted that de-mergers are still rare in Britain but relatively common in the United States, where industrial giants such as Bur-

lington Northern Inc., Union Carbide Corp. and Sears, Roebuck & Co. have all spun off very large subsidiaries. Just last Tuesday, Eastman Kodak Co. announced that it would sell off its chemical business, which has annual sales of about \$4 billion, by the end of this year. The photography concern said the divestiture will remove \$2 billion in debt from its balance sheet. As in ICI's spinoff of Zeneca, Kodak will end up holding no stake in the new chemical company, it said. De-mergers are "definitely an American export," Mr. Bok said. "Americans are definitely further ahead on breaking up conglomerates — focusing on the core business and disposing of everything else."

He added that de-mergers often are seen as the best way to do this because the issuance of new shares is a tax-free transaction, and so shareholders come out better than if the spun-off company were sold outright. Besides, some companies are too huge to sell. With de-mergers in vogue, corporate executives have come full circle from the acquisitive days of the 1970s and 1980s, when bigger was thought to be better. "I think it does go in cycles," Mr. Montgomery said. Like most aspects of corporate activity, "it's driven by economists and money men, not philosophical and scientific types."

In other words, people for whom a company's stock price is of more than passing interest. "What gets companies to cross the bridge and do a de-merger is valuation... because there's pressure to get their stock price up," Mr. Bok observed.

But Mr. Mayo insists that wasn't the case at ICI. "There are a hell of a lot easier ways to raise money, if that's what we had wanted to do, than the unbundling of 50 to 60 years of corporate history. It was hard work."



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Mergers and Acquisitions / A Special Report

Junk Bonds Revive But Now the Market Is Older and Wiser

By Conrad de Aenlle

PARIS — The king is dead, or at least on the way out, and banished from the business. The junk bond market, however, has leaped back to life, after having recovered from the epidemic of scandal and insolvency that had taken it from a surefire way to put together deals in the 1980s to the symbol of greed and financial debauchery that the decade came to be known for.

There is no Michael Milken or other charismatic figure reigning over today's high-yield bond market, as it is euphemistically called, but businesses are again turning to junk to make mergers, takeovers and leveraged buyouts work. Only this time around, the deals are sounder and the dealers wiser, say people who follow the market.

The market has changed "dramatically," declared Robert Krichieff, director of high-yield research at First Boston Corp. "First of all, buyers of bonds are more critical of what new issues are coming to market. Companies that issue bonds are getting away from how things were done in the late '80s and back to the way it was in the early '80s."

Convenient enough for the issuers, many buyers have forgotten how miserable the market just was a few years ago. First Boston's High-Yield Index, recently around 98, meaning the average bond sells for 98 cents for each dollar of face value, had been around that level in 1988. Within three years it had fallen to 66. It was a classic bear market story: first the greed, then the panic.

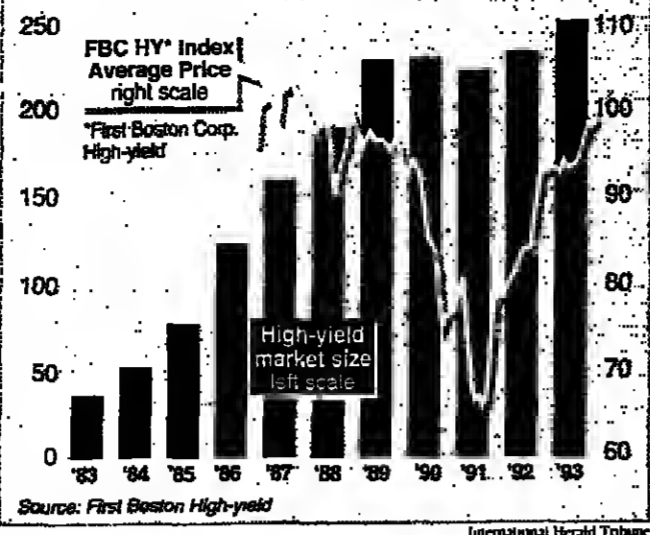
"A lot of it had to do with people desperately wanting to get in the market," Eric Siegel, vice president of Lion Advisers, a manager of junk bond portfolios, explained. "You had firms doing transactions that shouldn't have been done. You had people reaching for yield and sacrificing quality. When they didn't go up, people got scared. They had a lot of mon-

ey in. That forced the market downward." And then the recession hit. "Nobody knew which way the economy was going, and people got nervous," he said. The dramatic recovery since has not only taken prices back close to par, but it has done so as the amount of debt outstanding has swelled. King Penningman, head of high yield for the independent research firm Duff & Phelps/MCM, estimates the face value of junk debt at \$235 billion, compared with \$210 billion at the bottom. He could do no better than estimate the figures because there are different ways to make the calculations. Some "fallen angels" have seen the rating on their debt fall into junk status, usually below BBB. It's like the old joke about the guy who says he owns penny stocks, only they weren't penny stocks when he bought them. Counting the fallen angels, the market is "well over \$250 billion," Mr. Penningman said.

While the size has grown, he said, the market "consists of a lot more companies with a lot less debt outstanding." He added, "That lowers the risk of having multibillion-dollar companies default. A lot of issues that came out in the market in '87 and '88 defaulted in '89 and '90." Last year, the default rate was a "very low" 3 to 4 percent. "It may increase to 5 percent this year, but that's still considerably lower than before and more commensurate with historical default rates in this universe," Mr. Penningman said. "What makes junk financing less precarious today is the reduction in leverage. They used to be done with a minimum of capitalization," notes Rob Sherman, vice president of BT Securities, one of an arm of Bankers Trust, one of the largest underwriters of junk issues, as is First Boston. "Now they realize they have to [do] more with more equity, so they're better able to weather a downturn."

The pricing is fairer now, as well, Mr. Krichieff said, because

The Return of Junk



Source: First Boston High-yield

there are fewer deals underwritten by one firm, as was the case before. That one firm was usually Drexel Burnham Lambert, where Mr. Milken did his magic — much of it illegal, as it turned out. This is an especially good time to sell debt because interest rates are near their lowest levels in many years. Rates are so low that institutional and individual investors alike are abandoning safer bonds and short-term instruments and snapping up whatever junk issues are thrown at them.

"The majority of buyers are mutual funds, because of low rates," Mr. Sherman said. "Absolute rates are so low that people have been moving out of money market funds. PENSION funds and insurance companies also hold a lot of high-yield paper, too. It's hard to know how much, because many of them are 'closet buyers,'" Mr. Penningman said. Still, mutual funds probably are the biggest owners. "The net flow of cash into high-yield bond funds was \$3.66 billion in the first four months of this year alone, according to figures compiled by the Investment Company Institute, the principal organization of the American fund industry. That's 77 percent higher than the same period of 1992."

Junk bond financing remains an almost exclusively American pastime. Companies elsewhere raise capital through bank loans and the issuance of stock and quasi-equity instruments such as convertible bonds, which is debt that can be converted into equity. Bond markets tend to be dominated by government agencies and state-owned companies. "It is only in the U.S.A. that you have had a historically well-developed corporate debt market," Martin Wooler, director of fixed income at the London office of Fidelity Investments, remarked. The reason, he thinks, is that "in America, the entire culture is based on egregious consumption, while in Western Europe and Japan, for most of the postwar period, companies have reinvested profits rather than rape their balance sheets."

That may be true, but some American companies are less rapacious than they used to be. While \$23 billion of new high-yield issues hit the market this year through May, about 50 percent more than a year ago, nearly \$14 billion of junk debt has been retired. That reflects a new tendency to convert the debt to equity.

"That has been the trend, and when someone can do that, he does," said Mr. Sherman. "But you're kind of running out of possibilities. Companies that have run into trouble have already been bailed out." Of course, unforeseen events can always produce a fresh supply of possibilities. "I think our market's going to remain strong, but if interest rates go back up 200 basis points, you're going to see the market get hit a little," he warned. "There will have to be somebody to pick up the pieces again."

More mergers are likely in the future, and many of them are likely to involve foreign banks. "There's no shortage of interested foreign players in Spain, because margins are still higher there than elsewhere in Europe," Ms. Erskine said.

Ms. Stroker expects more U.S. mergers, too, and for much the same reason: "There's still so much excess capacity, compared with demand." Also, she said, fund companies and brokerages are offering banking-type services, so there is fresh supply coming on the market, too.

On the whole, she said, the mergers that have been accomplished so far "have been very positive for the industry. They have attracted new capital because [the public] feels mergers are beneficial."

CONRAD DE AENLLE is a journalist based in Paris.

Europe Weighs 'Fortress North America'

By Jacques Neher

PARIS — Has Europe ended its shopping spree in the United States, or is it only taking advantage of the economic slowdown to catch its breath after its binge of the late '80s?

Perhaps both, say mergers and acquisitions experts, who see lower levels of European investment in the United States in the short term, but plenty of reason for European companies to continue taking a high level of interest in establishing or bolstering operations in the American market over the long haul.

Among factors leading their optimism is the NAFTA free trade agreement, which is designed to eliminate trade barriers between the United States, Canada and Mexico.

The creation of a North American trade bloc, they say, may generate fears among European companies of a "Fortress North America" just as American companies were afraid of a "Fortress Europe" in the years leading up to the launch of the European single market. The Clinton administration's talk of "managed trade" and the currently high trade tensions in the world only compound these fears.

"With the development of regional trade blocs, it will be necessary for companies to be established in each of these markets because they will no longer be able to rely on free trade," said Nick Cowley of KPMG International in Amsterdam, which monitors merger activity. "Managed trade will impel companies to relocate to these markets."

He said that the prospect of the NAFTA treaty providing easy access to the Canadian and Mexican markets from the United States may be of less interest to European companies than the American market itself, particularly as Europeans realize the practical difficulties in establishing their own market.

"Unquestionably, European companies will have to be more present in the United States," he said. "They know that except for a few

sectors like insurance and telecommunications, having an establishment in one state will give them access to all states, with one language and one currency. There's nothing quite like it in Europe."

Pushed by the trend toward globalization of markets and the M&A frenzy in general, European investment in the United States peaked in 1988, with 676 deals valued at \$44 billion. Since then, the poor U.S. economy, and now the poor European economy, have kept the dealmaking activity in steady decline. Last year, KPMG reported only 246 acquisitions of American companies by EC members, valued at only \$5.2 billion.

Already, the activity so far this year guarantees that 1993 will be an improvement. The most recent deal was the June 2 announcement of a telecommunications linkup between British Telecom and MCI, whereby BT will take a \$4.3 billion stake in MCI, the No. 2 U.S. carrier, while the two companies set up a \$1 billion joint venture, 75-percent owned by BT, to develop and market voice and data transmission services for multinational companies. Earlier this year, RTZ of Britain signed a \$1.2 billion deal to buy Nercio, the American coal company. In addition, the British company Boverac agreed to pay \$434 million for Specialty Coatings International.

Gerard Ardouise, head of corporate finance for Ernst & Young in Paris, predicted that much of the activity in the next few years will involve middle-sized European companies seeking strategic alliances and "marketing partnerships" in the United States, rather than outright acquisitions. Activity, he added, is likely to be concentrated in several sectors, including office furniture, retailing, food processing, aerospace and defense.

While British investors were the biggest players in the M&A game in the late '80s, the French were not far behind, with Saint Gobain, Rhone-Poulenc and Pecheyrie pouring billions into U.S. acquisitions. However, while the British are still buying, the French have

EC Purchases in North America

Table with 3 columns: Year, Number of Deals, \$ value (billions). Data for 1988-1992.

Source: KPMG

largely disappeared from the M&A market. The last significant industrial deal was in 1991, when Schneider SA acquired Square D following a hostile bid. The same year, insurers Mutuelle des Assurances Artisanales de France and Axa moved to acquire Executive Life Insurance Co. and The Equitable, respectively.

"French companies swallowed a huge number of investments in the recent period," explained Jean-Daniel Tordjman, France's special ambassador for foreign investment. "It had to slow down so they could digest them."

However, it is not only a question of digestion. Following the trend of the period, many companies borrowed heavily to make their acquisitions, and then found themselves squeezed by high financial charges just as the economy turned down. Since then, companies like Pecheyrie and Rhone-Poulenc have had to make debt reduction one of their primary goals.

Nevertheless, Mr. Tordjman said French investors would ultimately return to the United States, citing an undervalued dollar and "our confidence in the future of the U.S. economy and the united North American market."

Scaled-Down Look at the Art of the Deal

Continued from page 10

European companies reported 1,300 deals valued at more than \$47 billion.

The principal cause of the slowdown, say the dealmakers, is the economy. While Britain appears to be coming out of its recession, much of the European Continent, led by Germany, is in a crisis mode, as consumer demand, industrial investment, sales, profits and employment shrink.

The big factor driving M&A in recent years, the need for companies to get larger and penetrate neighboring markets in order to position themselves for success in a more competitive, border-free EC market, has taken a back seat to managing the economic crisis.

"When you have a fire in the sitting room, you tend not to worry too much about the state of the garden," said Piers von Simson, a director with S.G. Warburg Group in London. "Managers are devoting their energies to their immediate problems."

Last fall's European currency crisis added to the ambient economic gloom to make acquirers think twice. "Rapid swings in currencies always cause hesitation" in M&A decisions, said Steve Berger, head of investment banking for Lehman Brothers in London.

Political factors, though more difficult to quantify, have thrown a pall over the corporate matchmaker business, as well. The rejection last year by Denmark of the Maastricht treaty on monetary and political union, followed by France's razor-thin acceptance, helped communicate the idea that the true unification of Europe can no longer be considered a sure thing. A single market without economic, monetary and political unification is less attractive to corporate strategists. Although the Danes recently reversed their position, the Euro-enthusiasts were given cause to reconsider their optimism.

"The political uncertainty about the single market due to Maastricht and the fear of a two-speed monetary union has certainly had an effect," said Mr. von Simson of S.G. Warburg. "It's beginning to make people feel that the importance of looking at Europe as a single

unit is less of a priority than it may have seemed 18 months ago."

Compounding the drop in confidence has been increasing discord among the European Community members on a range of important issues, from farm policy and the GATT trade negotiations to the war in former Yugoslavia. In the most recent example of discord, Germany broke ranks with the rest of the Community in a conflict with the United States over access to public telecommunications markets.

Conversely, the high-profile fight over Maastricht, some say, may also be a positive factor for European deals by American companies, which, leaving a "fortress Europe," rushed in the late '80s to establish bases in Europe before the single market launch date of Jan. 1, 1993.

"Maastricht has forced Americans to think about Europe in a more intelligent way," said Mr. Berger of Lehman Brothers. "By the time monetary union is established, the competitive situation will be set, and going slow will have been in their interest."

Nick Cowley, editor of KPMG's Deal Watch, which keeps tabs on M&A activity, also downplays the current bout of Euro-pessimism, saying that the forces of competition will drive companies to pursue European strategies, despite the political discord.

"Actions will be less affected by any feelings of disillusion than the fact that the single market has made it easier for competitors to come in and take your business," he said. "They can and they will if you don't act."

WHILE the economy and European uncertainty has taken its toll on all, in Italy, the roaring bribery scandals have added to the general malaise, resulting in an especially sharp drop in M&A activity. In the first quarter of 1993, KPMG reported only 11 cross-border acquisitions of Italian companies, down from 34 in the same period a year ago. At the same time, Italian investors made only 12 cross-border purchases into the rest of Europe, down from 37 in the first quarter of 1992.

"Uncertainty operates two ways," Mr. Cowley said. "From the inside, Italian companies are battenning down the hatches and keeping

Cross-Border Sales of EC Companies

Table with 3 columns: Year, Number of Deals, \$ value (billions). Data for 1988-1993.

Source: KPMG

their heads down. From the outside, foreign companies interested in Italian acquisitions have to consider whether the target company's earnings depended on kickbacks, or to what degree its contracts were "won" as a result of bribes paid to politicians.

The outlook for M&A activity in Europe is not only more sober in terms of numbers, but in the nature of the deals. While the late 1980s were characterized by large, highly leveraged acquisitions, the experts believe the deals over the next few years are likely to be smaller and be financed by equity or swaps of shares. They say the deals likely will take the form of mergers and strategic alliances rather than outright acquisitions, and will be structured to answer mutual needs for market access along sectorial lines, for example, telecommunications or civil aviation, rather than motivated by prospects for return on investment.

"The transactions of the future will be those having a clear strategic rationale," said Mr. von Simson. "The financially engineered transactions of the late '80s were an aberration. They won't come back soon, and when they do, they will take a much lower key."

JACQUES NEHER is a journalist based in Paris.

Banks Savor the Taste of Consolidation

Continued from page 10

have the same expense-saving potential." Scott Scredon, a NationsBank spokesman, disagrees. "By anybody's measurements, the merger has worked out quite well," he said, noting that earnings topped \$1 billion in 1992, the first year after the merger, which created the country's fifth-largest bank. In the first quarter this year, profits rose 55 percent from a year earlier to \$481 million.

"You essentially had two healthy, profitable banks come together," Mr. Scredon said. "With minimum overlap in each state, the bank is able to benefit from the size of the new corporation."

Where there were overlapping operations, the bank cut 7,000 to 9,000 staff positions, he said. But the main advantage of the merger is in the business the bank now can do.

"We're obviously able to make larger commercial loans that we couldn't before," he remarked. "In banking, that's key. Size can help a bank take on loans and make other transactions simply because the amount of capital is greater."

One expansionary merger certainly has worked out well by most accounts: the takeover last year of the large British lender Mid-

land Bank PLC by HSBC Holdings, parent of Hongkong & Shanghai Bank, which is even larger. The new institution had assets of \$259 billion at the end of 1992.

HSBC's return on equity rose last year from 13.57 percent to 25.34 percent, as earnings per share more than doubled. That's quite an

"There's still so much excess capacity, compared with demand."

achievement, considering it took over a not-so-great bank in a not-so-great market.

"Midland's problem before the merger was a capital problem," observed Matthew Czesteliez, an analyst at Credit Suisse First Zeteliev. "Its balance sheet was weak and its assets were not as good as some others, but the real problem was capital."

Midland "is recovering well from the recession as fast as other banks," he said. "At the same time, in more glamorous areas like treasury operations, Midland and HSBC continue to be merged together, and it appears to be quite profitable."

A number of mergers in Continental Europe, notably in Spain, have been motivated by a desire to cut costs. "There was huge overcapacity in the Spanish market, as in almost any European country," explained Rosie Erskine, who follows European banks for Barclays de Zoete Wedd. "Huge rationalization can still be done."

More mergers are likely in the future, and many of them are likely to involve foreign banks. "There's no shortage of interested foreign players in Spain, because margins are still higher there than elsewhere in Europe," Ms. Erskine said.

Ms. Stroker expects more U.S. mergers, too, and for much the same reason: "There's still so much excess capacity, compared with demand." Also, she said, fund companies and brokerages are offering banking-type services, so there is fresh supply coming on the market, too.

On the whole, she said, the mergers that have been accomplished so far "have been very positive for the industry. They have attracted new capital because [the public] feels mergers are beneficial."

CONRAD DE AENLLE is a journalist based in Paris.

Survivor of the '80s Survives U.S. Scene

Continued from page 10

computer screen of stock prospectuses and surrounded by piles of company reports, industry documents and stock prospectuses, including one to spin off the food properties of RJR Nabisco Inc. into a company separate from its selling tobacco franchises, a deal for which Mr. Finn's firm is serving as adviser, for a \$5 million fee, and underwriter.

What goes around comes around. Mr. Finn's big moment in the 1989 takeover of RJR Nabisco by Kohlberg Kravis Roberts & Co., which was chronicled in "Barbarians," by Bryan Burrough and John Helyar, came when he concocted an audacious strategy to auction off the company's food properties in a way that would have provided stockholders a multibillion-dollar tax windfall. It

doesn't matter to soldiers in the M&A whether they win their bonuses for offensive or defensive campaigns. Leveraged buyouts, like the RJR deal, are coming back, at least hesitantly and on a much smaller scale after almost three years of drought. They dried up in the credit crunch, the Gulf War and then in a rising stock market that made it attractive for dealmakers like Henry Kravis of KKR to cash in his gains by taking them public.

The problem, Mr. Finn said, is that while there is plenty of high-rolling pension and private investment capital seeking better returns than those offered by plain-vanilla stocks and bonds, "there are very, very few properties available."

"The bad ones have already been sold," he said, "and the good ones went public themselves instead of going through an LBO. But the money is there to do deals — if they can find the properties."

In fact, commented Martin Sikora, the editor of Mergers & Acquisitions magazine, the level of M&A activity in the United States now is roughly equivalent to what it was in the early 1980s before the "glamorous frenzy and the stretch-the-envelope financing" of that egregious decade. What's different, he said, is that strategic buyers who can see long-term value and pay cash from their own resources are in the driver's seat: "They can spend much more time looking at the books than in a frenzied bidding war."

That's where people like Mr. Finn come in. In the current climate of slow growth and uncertainty about the regulatory, health care and other major policies of the new administration, "people are reluctant to make big bets," he said. "What you have most of the time," Mr. Finn explained, "is that

When there are industries with too many companies, combine them."

the president of ABC Ball Bearing sees a smaller ball-bearing company and he says, 'I like their product, it's a little different from mine, but I can sell it through my sales force and put it in my warehouse. It would be an interesting financial transaction; I can grow my business.'"

"Deals like that are also interesting for the stock market," Mr. Finn said. "People who run a private, family company care about making money, but running a public company means earnings growth — growth, growth, growth. If I'm running a public company, I get shot if I don't grow. My price/earnings ratio is lousy if I don't grow. My options are out of the money if I don't grow. So I have to grow. To use the accepted term, synergistic acquisitions like the ball-bearing companies are viewed very favorably. And that's the way our business has always taken place."

Such a deal was just concluded by First Boston when Mohawk Industries Inc. bought the rug and carpet division of Fieldcraft Cannon Inc. Even though Mohawk paid top dollar — it was, after all,

the top bidder — the stock market figured it had done a good deal because after the announcement, its stock rose 25 percent in one day.

The other side of the business, supposedly is divestitures, presumably following the frenzy of conglomeration in the 1980s, someone has to clean up the mess after the Lord Mayor's parade. It's more complicated than that, Mr. Finn said, because big companies are shuffling their portfolios all the time.

FOR example, John F. Welch Jr. of General Electric Co., whose company prospered during the 1980s by concentrating on its strengths rather than conglomerating to spread them, does not want his divisions to be anything but first or second in any of their businesses. Last year he merged GE's aerospace division with Martin Marietta Corp., one of the few remaining successful companies in the striking field of military production.

"These big companies buy and sell, sell and buy, and they don't do it for sport," Mr. Finn said. "When there are industries with too many companies, you should combine them. It's then more attractive to have 'Newco' do the shutting down, and it's not going to stop."

"Another CEO might decide his company's stock is too cheap and decide to sell off assets to buy some of it back because he doesn't want more debt. And there are foreign parents who bought into the American market in the 1980s. Some of them in Germany and Japan had unlimited access to cheap money, and now they realize, oops, they overpaid and want to cut their losses."

LAWRENCE MALKEN is on the staff of the International Herald Tribune.

GERMANY

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Various vertical advertisements on the right edge of the page, including 'CURRENCY RAI' and other financial-related text.

WEEKLY INTERNATIONAL BOND PRICES

Provided by Credit Suisse First Boston Securities, London, Tel: 01 233 11 30. Prices may vary according to market conditions and other factors.

Dollar Straights

Issuer Con Mat Price Yld Bid Trvy

Governments/Supranationals

Table listing bond prices for governments and supranationals, including issuers like USA, UK, France, Germany, and various international entities.

Table listing bond prices for various international governments and supranational organizations.

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MUTUAL FUNDS

Figures as of close of trading Friday, June 18.

Table listing mutual fund prices and performance metrics for various international funds.

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New International Bond Issues

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price and week, Terms. Includes Floating Rate Notes and Fixed-Coupons sections.

Dollar Loosens German Rate Grip

By Carl Gewirtz
PARIS — The corset Germany had long imposed on European interest rates burst last week, some analysts say.

It was an event waiting to happen due to the domestic economic problems in Germany. But in fact it was an accident in Tokyo strengthening the dollar that undid the Deutsche mark and cleared the way for further rate cuts in Europe.

The dollar soared 1.3 percent Friday against the Deutsche mark to a high of 1.6860 DM. The dollar ended trading in New York at 1.6810 DM, still an 18-month high.

This does not mean that the Deutsche mark is no longer the so-called anchor currency of the exchange rate mechanism. Otherwise France would be free to drop market rates to nearly 5 percent on the basis of its low inflation rate.

The Week Ahead: World Economic Calendar, June 21 - 25

A schedule of this week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

MUTUAL FUNDS

Table with columns: Fund Name, Bid, Ask, Bid, Ask. Lists various mutual funds and their current prices.

Last Week's Markets

Table with columns: Index, June 18, June 11, Change. Shows market performance for various indices.

RELIEF: Words of Comfort Alone Won't Heal Europe's Sick Economy

Continued from Page 13
Noted that EC output would decline by 0.5 percent this year, the worst performance since 1975.

G-7: Clinton Aims to Enliven Ritualistic G-7 Meetings

Continued from Page 13
package, he said. "But some of that is now coming back to us."

SHOW: Keeping Up the Optimism

Continued from Page 13
veloping military projects for warplanes is forcing European countries toward more extensive cooperation.

LEGAL NOTICE

ARGENTINA DESARROLLO CIENTIFICO Y TECNOLÓGICO DEL PAIS. INTERNATIONAL PUBLIC BIDDING. Includes details about laboratory equipment and bidding procedures.

MONTEREY TRUST

NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS. The Annual General Meeting of Shareholders of MONTEREY TRUST, SICAV, will be held at its registered office in Luxembourg, 14, rue Aldringen, on June 29th, 1993 at 15.00 o'clock for the purpose of considering and voting upon the following agenda:

Euromarkets At a Glance

Table with columns: Instrument, Bid, Ask, Bid, Ask. Lists various Euromarkets instruments and their prices.

Weekly Sales

Table with columns: Market, Sales, Change. Shows weekly sales figures for various markets.

Libor Rates

Table with columns: Instrument, Bid, Ask, Bid, Ask. Lists Libor rates for various instruments.

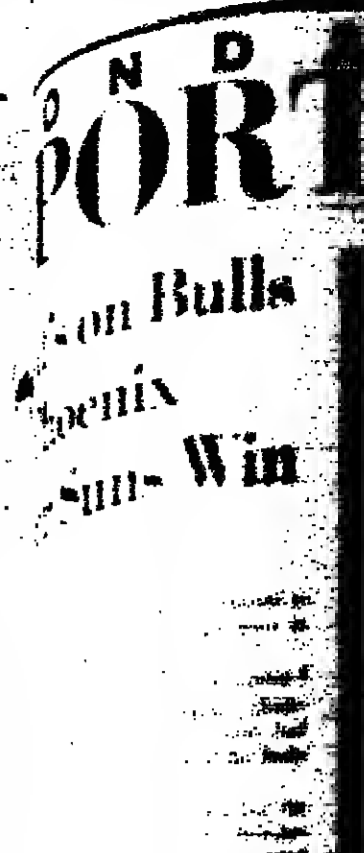
MUTUAL FUNDS

Continued

Table of mutual fund performance data including columns for fund name, share price, and various performance metrics.

NASDAQ NATIONAL MARKET

Large table of NASDAQ national market data with multiple columns for stock symbols, prices, and market activity.



NASDAQ NATIONAL

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MONDAY SPORTS WIMBLEDON

Heat's on Bulls In Phoenix After Suns Win

By Clifton Brown

PHOENIX — The Chicago Bulls expected to be on vacation Sunday. Instead, they were in Phoenix facing another challenge.



Charles Barkley was pumped up despite being double-teamed, as he poured in 24 points.

They led the best-of-seven series, 3-2, but the Bulls' momentum heading into Sunday night's Game 6. No team has ever recovered from a 3-1 deficit to win the NBA title, yet the Bulls could become the first by winning two games on their homecourt.

Bulls, 45-35. Chicago's defense was not as intense, as the Bulls shot above 50 percent (50.6) for the first time in the series.

will make him mad when he comes to Phoenix, Johnson said. "All I know is that he said he wasn't coming to Phoenix. So if he doesn't, the series is over, that's for sure.

A Grand Slam Full of Great Doubts

By Ian Thomssen

WIMBLEDON, England — At 11 P.M. here Monday, Andre Agassi will come out of his hole. If he cracks in his shirt, it will be a stormy and reckless fortnight.

Opening Match for Agassi Will Answer First Question

to prepare because of my injury," Agassi said. "I had lots of court time in Germany last week, and I feel great about my preparation. It is just lack of match play that is the problem.

ilova, who dreams of celebrating the 100th women's tournament by winning her record 10th championship. She built up to the idea Saturday by winning at Eastbourne for the 11th time. That was her 32nd title on grass, her record 164th overall.

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, June 18.

Table with columns for various stock tickers (e.g., AMZN, BIL, BIR) and their corresponding market data including price, volume, and change.

Table with columns for various stock tickers (e.g., BIL, BIR, BLS) and their corresponding market data including price, volume, and change.

Peugeot Sweeps Race at Le Mans

LE MANS, France — Defending champion Peugeot held off a challenge by Toyota and swept the top three places in the 24-hour Le Mans endurance race on Sunday.

Barcelona Again Captures Title As Tenerife Stuns Real Madrid

MADRID — In a stunning repetition of last season's dramatic finale, Tenerife shocked Real Madrid, 2-0, on Sunday to hand FC Barcelona its third consecutive championship of the Spanish soccer league.

MONDAY SPORTS ATHLETICS

Slicing the IAAF Cake: Nebiolo Gets the Big Piece

By Ian Thomsen
International Herald Tribune

ROME — Whatever Primo Nebiolo does and however he does it, it is done from a huge and nearby vault that should one day become a museum. The mural ceiling is deep ochre, the high walls felled in gold. In tone it lacks only the respectful hush. He will never give it that. It is his office.

"The money is like a cake," Nebiolo is saying, leaning not halfway across his desk, glasses braked at the cliff of his nose, jabbing a piece of paper with a pen. "Now, how is it that we divide a cake?"

Nebiolo is among the most important sports administrators in the world. Perhaps only the directors of world soccer and basketball and the Olympics wield more influence. And perhaps they don't. The people who have been hired by Nebiolo refer to him as "The President." He is the president of the International Amateur Athletic Federation.

Nebiolo, 69, is one of the best things that ever happened to track and field. He routinely is called a tyrant, a dictator, and he might thank you for such compliments, provided your smile is genuine. When he first came to power in 1981, the annual IAAF budget was \$30,000. Now it is approaching 1,000 times that. Over a four-year period through 1995, the IAAF plans to spend \$174.6 million. The money is like a cake.

"Where is our money going?" Nebiolo says. The chart in his hand suggests that \$70.9 million, or 40.6 percent of the budget, will be spent on athletic meets. "To organize the event we must fund organizations and we must help organizations. We give a certain figure of money to organizations. To Stuttgart and to the organizing committee, we give \$7 million for the organization."

The IAAF also will help pay for

the athletes' travel costs to Stuttgart for the world championships, he says. Marching through the list of his endorsements, his voice tumbles off the ceiling with the effect of dozens of feet clambering down a narrow stairwell. The desk, which has appeared small in this room, has grown beneath him as he leans across it to slice the revenues. Suddenly everything is enormous. Carl Lewis might train in such an office without brushing the walls.

All perspective is drawn against the \$175 million cake. More than half of the money comes from the \$91 million paid by the European Broadcasting Union for four years' coverage of the world championships. Almost all the rest comes from 12 corporate sponsors. The athletes have requested some of this money. As this meet is essentially the president's invention, he is proprietary about the funds. He says the athletes aren't entitled. They threatened to boycott.

He gave them cars.

"All of our gold medal winners in Stuttgart will receive a Mercedes," Nebiolo says. "It is a tremendous gift: a matter of \$3 million in total." Then he pleads naïveté. "If I believe I could be young again and be a great champion, if I could be 20 years old and now I have a red Mercedes to go about with in Rome, oh, ha-ha-ha," he laughs. "Oh, yes."

Shouldn't a significant portion go to the athletes, whose efforts create the profit?

"I'm not against our athletes making money," he says. "That they could receive a compensation in money, this is not wrong." He will point out later that the IAAF Grand Prix overall 100-meters champion can earn \$150,000 for a 10-second performance — never mind, of course, the years spent developing, which might not cover the lawsuits. Butch Reynolds, the American

400-meter world record holder, sued the IAAF over his two-year drug ban. Refusing to recognize the jurisdiction of the U.S. District Court in Ohio, the IAAF lost a \$77.3 million judgment to Reynolds in December.

Now, recognizing the threat of liens against the five U.S. corporate sponsors of the IAAF, the IAAF is seeking an appeal. At an International Olympic Committee meeting next week in Lausanne, Nebiolo will seek unified drug penalties among all Olympic federations. He will also attempt to steer athletes

"We are not afraid of Reynolds," he says. "We will never pay anything. We are so tranquil we will never pay anything. I assure you."

After the interview, a Nebiolo aide states that the IAAF decided to ignore the Ohio proceedings because the ruling judge was a "very close" friend of the Reynolds family. Why didn't the IAAF motion for another judge? "There was not enough proof."

These are not the 1930s, and the president is not Avery Brundage, the long-time master of the U.S. Olympic Committee. But Nebiolo is his descendant. In this day and age, he whispers through an anonymous aide that he did not defend himself because the judge is obviously biased? Either Nebiolo (who earned a law degree at the University of Turin) was the victim of incompetent legal advice or else he is used to making any kind of excuse and getting away with it.

According to an American lawyer familiar with the case, all Nebiolo needed was a straightforward private investigation and a few witnesses in order to demand the removal of the Ohio judge — and if that failed, then he had a good chance of winning on appeal.

Instead, the IAAF is only now beginning to defend itself in court against Reynolds.

Reynolds will be running in Stuttgart, having qualified on Saturday with a second-place finish at the U.S. championships.

Under Nebiolo's rule, athletes are now running for relatively small prizes and larger endorsement rewards, and a few are millionaires. Champions are coming from Africa and are developing in China, thanks in large part to Nebiolo's development programs, and his worldwide marketing of track



Primo Nebiolo, IAAF chief

"They should make money, but not in the world championships and Olympics. We must maintain the spirit of competing for the ideal."

Primo Nebiolo, IAAF chief

Nebiolo says, "It could be a watch instead. It is not money."

The American athletes, who promoted the boycott, are under the impression that the reward of luxury automobiles is a bridge toward prize money in the near future.

"No," Nebiolo says. "Never. Never in the world championships, never in the Olympics."

He jabs at the cake, from which he slices wedges of preeminence responsibility. Some \$21 million will be spent on development of athletes, another \$16.1 million on IAAF meetings, \$1.9 million for anti-doping procedures. Another \$2.6 million will go toward "contingencies," which might not cover the lawsuits.

Had Nebiolo simply received bad advice? He shouts down five attempts to ask this question, because what he has to say is much more important.

SIDELINES

IOC Members Join China in Protest

LAUSANNE, Switzerland (AP) — Members of the International Olympic Committee joined China in reacting angrily to the vote by a subcommittee of the U.S. House of Representatives to oppose holding the 2000 Olympics in Beijing because of human rights record.

"It is a most unfortunate intrusion of politics in sport," said the IOC's director general, François Carrard. "I see ghosts of the 1980 Carter boycott of the Moscow Games to protest the Soviet invasion of Afghanistan."

But as the executive board met here Sunday, a quiet anti-Beijing demonstration was being staged outside the IOC's headquarters by the Tibetan Youth Association in Europe.

Auerbach Has Open-Heart Surgery

BOSTON (AP) — Red Auerbach, 75, the president of the NBA Boston Celtics, was in stable condition at Massachusetts General Hospital after six hours of open-heart surgery in which five arteries were bypassed.

Auerbach had two blocked arteries cleared at the hospital last month. He returned on Wednesday complaining of chest pain.

Ted Simmons resigned as general manager of the Pittsburgh Pirates less than two weeks after he underwent an angioplasty procedure to unclog a blocked artery to his heart. He was replaced by assistant general manager Cam Bonifay.

Troy Aikman, the MVP quarterback of the Super Bowl champion Dallas Cowboys will be unable to play for at least six weeks, and maybe 12, after surgery in which a herniated disc was removed from his back.

Norris Retains WBC Welter Crown

SAN DIEGO (AP) — Terry Norris, super welterweight title when a badly cut Troy Waters couldn't answer the bell for the fourth round Saturday night.

In another bout, 20-year-old sensation Felix Trinidad knocked out Maurice Blocker at 1:49 of the second round to win the IBF welterweight crown.

For the Record

The NFL Players Association has ratified the new collective bargaining agreement with the team owners, with 96 percent of the players approving the pact.

English cricket officials are to meet baseball officials this week to discuss playing a major-league game at Lord's in October 1994. The Sunday Telegraph reported.

Quotable

Mark Brooks on his three pro golf victories, the 1988 Greater Hartford, the 1991 Greater Greensboro and the Greater Milwaukee tournaments: "That gives me the Greater Slam."

SCOREBOARD

Major League Standings

AMERICAN LEAGUE			
Team	W	L	Pct.
Minnesota	47	52	.474
Chicago	42	57	.424
Seattle	41	58	.413
Los Angeles	39	60	.390
San Diego	37	62	.370
Oakland	35	64	.350
California	33	66	.330
Philadelphia	31	68	.310
San Francisco	29	70	.290
Texas	27	72	.270
Arizona	25	74	.250
Colorado	23	76	.230

NATIONAL LEAGUE

Team	W	L	Pct.
Atlanta	49	49	.500
Cincinnati	45	53	.455
St. Louis	43	55	.435
Montreal	41	57	.415
Pittsburgh	39	59	.395
Florida	37	61	.375
New York	35	63	.355
San Francisco	33	65	.335
Arizona	31	67	.315
Los Angeles	29	69	.295
San Diego	27	71	.275
Colorado	25	73	.255

Friday's Line Scores

Team	W	L	Pct.
Atlanta	48	50	.485
Cincinnati	44	54	.445
St. Louis	42	56	.425
Montreal	40	58	.405
Pittsburgh	38	60	.385
Florida	36	62	.365
New York	34	64	.345
San Francisco	32	66	.325
Arizona	30	68	.305
Los Angeles	28	70	.285
San Diego	26	72	.265
Colorado	24	74	.245

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Pittsburgh	39	59	.395
Florida	37	61	.375
New York	35	63	.355
San Francisco	33	65	.335
Arizona	31	67	.315
Los Angeles	29	69	.295
San Diego	27	71	.275
Colorado	25	73	.255

Saturday's Line Scores

Team	W	L	Pct.
Atlanta	48	50	.485
Cincinnati	44	54	.445
St. Louis	42	56	.425
Montreal	40	58	.405
Pittsburgh	38	60	.385
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Pittsburgh	39	59	.395
Florida	37	61	.375
New York	35	63	.355
San Francisco	33	65	.335
Arizona	31	67	.315
Los Angeles	29	69	.295
San Diego	27	71	.275
Colorado	25	73	.255

AMERICAN LEAGUE

Team	W	L	Pct.
Minnesota	47	52	.474
Chicago	42	57	.424
Seattle	41	58	.413
Los Angeles	39	60	.390
San Diego	37	62	.370
Oakland	35	64	.350
California	33	66	.330
Philadelphia	31	68	.310
San Francisco	29	70	.290
Texas	27	72	.270
Arizona	25	74	.250
Colorado	23	76	.230

NATIONAL LEAGUE

Team	W	L	Pct.
Atlanta	49	49	.500
Cincinnati	45	53	.455
St. Louis	43	55	.435
Montreal	41	57	.415
Pittsburgh	39	59	.395
Florida	37	61	.375
New York	35	63	.355
San Francisco	33	65	.335
Arizona	31	67	.315
Los Angeles	29	69	.295
San Diego	27	71	.275
Colorado	25	73	.255

AMERICAN LEAGUE

Team	W	L	Pct.
Minnesota	47	52	.474
Chicago	42	57	.424
Seattle	41	58	.413
Los Angeles	39	60	.390
San Diego	37	62	.370
Oakland	35	64	.350
California	33	66	.330
Philadelphia	31	68	.310
San Francisco	29	70	.290
Texas	27	72	.270
Arizona	25	74	.250
Colorado	23	76	.230

NATIONAL LEAGUE

Team	W	L	Pct.
Atlanta	49	49	.500
Cincinnati	45	53	.455
St. Louis	43	55	.435
Montreal	41	57	.415
Pittsburgh	39	59	.395
Florida	37	61	.375
New York	35	63	.355
San Francisco	33	65	.335
Arizona	31	67	.315
Los Angeles	29	69	.295
San Diego	27	71	.275
Colorado	25	73	.255

AMERICAN LEAGUE

Team	W	L	Pct.
Minnesota	47	52	.474
Chicago	42	57	.424
Seattle	41	58	.413
Los Angeles	39	60	.390
San Diego	37	62	.370
Oakland	35	64	.350
California	33	66	.330
Philadelphia	31	68	

MONDAY SPORTS U.S. OPEN

Janzen Holds Off Challenge by Stewart to Claim 2-Stroke Victory

U.S. Open Scores Through the 3d Round of Play

Table of U.S. Open scores through the third round, listing names and scores.



Lee Janzen, who hadn't made the cut in three previous Opens, was the image of composure as he took a one-shot lead into the final round.

Winner's Total Ties Open Record

Compiled by Our Staff From Dispatches SPRINGFIELD, New Jersey — Lee Janzen shot a 1-under-par 69 on Sunday to win the 93d U.S. Open by two strokes for his first major golf title...

the 413-yard fifth, only Stewart could stay within two shots. Janzen seemed to achieve his goal of playing a patient, conservative round and not getting caught up with the excitement of leading a major championship...

front side, shooting a 36 that dropped him six behind Janzen. And Fred Couples, who was five behind, snafu hooked his opening tee shot on the 470-yard par-four first hole out of bounds and took a double bogey. He turned in 36 to drop eight behind.

Tuttleton Slam Lifts Tigers Past Brewers

The Associated Press Mickey Tuttleton hit a grand slam, highlighting a five-run first inning Sunday and leading the Tigers over the Milwaukee Brewers, 7-3, in Detroit.

the four-game series against visiting Minnesota. Wickman is now 14-1 in his two seasons with New York, the best record for the Yankees at the start of the career since Whitey Ford...

Langston pitched six-hit ball over eight innings, setting a record for the best start ever by a California pitcher as the Angels downed Chicago in Anaheim, California.

Langston held the White Sox hitless until a two-out single in the fifth by Carlos Fisk. He wound up with three walks and six strikeouts as he ran his record to 9-1, the best after 10 decisions in Angels history.

Braves and Glavine Down Expos, 5-1

The Associated Press Tom Glavine, troubled by Montreal for several years, pitched an eight-inning performance to beat the Expos for the second time this season as the Atlanta Braves won, 5-1, on Sunday in Montreal.

Burkett scattered seven hits, struck out two and didn't walk a batter in seven innings to win his 21st consecutive decision.

Braves 4, Expos 3: Ron Gant led off the eighth in Montreal with his 16th home run, lifting Atlanta to its sixth victory in eight games.

Phillies 5, Marlins 2: Lenny Dykstra had three hits, including a home run, as Philadelphia sent visiting Florida to its fifth loss in six games.

AL ROUNDUP

went 16-1 in the early 1950s. Wickman has won 11 consecutive decisions overall. The right-hander was hit on the knee by Lenny Webster's hard grounder but went on to make his first career complete game a shut-out.

NL ROUNDUP

in the third inning. The rookie catcher leads the Dodgers in homers (14), batting average (.345), hits (80) and RBIs (46).

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At the Unreachable 17th, Daly Almost Overreaches

New York Times Service SPRINGFIELD, New Jersey — Lee Trevino likes to joke that, when caught in a thunder-and-lightning storm, a golfer should hold a 1-iron aloft. "Not even God," he says, "can hit a 1-iron."

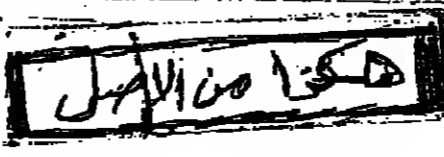
John Daly can. From the time he arrived here for the U.S. Open, he was aware of the challenge: reach the unreachable green of the 630-yard (576-meter) uphill 17th hole in two shots. For him, that meant a drive and a 1-iron, because he doesn't even carry a 3-wood.

"Peacekeeping" in Somalia Continued chaos in Bosnia Japan's trade surplus GATT under fire European unemployment

Table with columns for Country/Commodity, 12 months, 6 months, 3 months, and 1 month. Includes data for various countries and commodities.

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Niki de Saint Phalle, Bursting Out of the Frame

International Herald Tribune
PARIS — Niki de Saint Phalle has been an artist of totally engaging originality since the '60s when she became the Annie Oakley of the art world with her *shotgun paintings*: the viewer aimed at canvases to which the artist had fixed small plastic bags of pigment, colored cement, tomatoes or whatever took her fancy. She herself was not much of a shot.

The constant in her work, from the famous female figures she called *Nanas* to the *Tarot Garden* in Tuscany that she

says today in her fluent American slang, that made them best buddies.

She painted an uncharacteristically sober homage to Tinguely, his portrait surrounded by cogs and wheels. Then she thought of making paintings with movement and her assistant took a crash course in electronic engineering.

"It may be a very sophisticated technology but I understand nothing about it so for me it remains a miracle and I want to keep it that way." The sight of an apparently immobile painting splitting into life is fun and something more: death. Tinguely once said, "a transition from movement to movement."

"Everything explodes and comes back together again and regrows and then goes out again," Niki says. Like much of her work the *Tableaux Eclates* are reconciliation, the new innocence born of experience. To imagine is also to expunge.

She was born to a hopelessly contradictory and distinguished family. Her father, a banker, was an Americanophile Frenchman, her mother an American francophile. Niki was born in Paris and raised in New York where she attended convent schools and Brearley, whose headmistress recommended psychiatric care after Niki painted the fig leaves on classical statues pink.

Her mother was rigidly conventional ("eat everything on your plate," "don't cross your legs") and was profoundly shocked later to see Niki's novelist husband Harry Mathews using the vacuum cleaner. Her aristocratic father, Niki says, raped her, and her mother knew. She dealt with this in her film, "Daddy," made after her father's death. She survived through stubbornness and a childish love for fairy tales which she unchildishly realized were all about a quest.

"The one thing that is inherent in the quest is difficulties. It makes you see life in a different way from somebody who thinks life should always be perfect. If you've had a difficult family life and a very solitary one where you can't talk to anybody, it gives you a certain strength. If you survive, then you're equipped."

A beauty, Niki became a model who appeared on the covers of *Vogue* and *Life* and hated it. "For a long time I wore extravagant clothes because I was very shy and people would look at my hat and not at me. It was really camouflage. Now I don't care."

"When you're young if you are beautiful or pretty it gives you a lot of power. Men will come and change your tires. Then you see that power go pretty quickly. Some women regret it all their lives and others face it and say that's gone, there are other things more interesting."

She once said that having learned



Niki de Saint Phalle with one of her sculptures.

beauty (the first one was based on the wife of the painter Larry Rivers). The *Nanas* are fat, gaudy, embattled and free. With Tinguely Niki made a huge reclining *Nana* which Pomus Hulten showed in Stockholm's Modern Museum, risking his job to do so. Visitors entered between her spread legs and found inside, among other things, a bar and a theater showing Garbo films.

As if she were picking flowers, Hulten says, Niki has borrowed from artists of the first half of this century to make the second half more beautiful. "I think Niki is very original in everything she does. She has no fear of stealing wherever she finds things that interest her and it all becomes hers in a very relaxed way."

Among the things that interest her are Gaudi, the Watts towers in Los Angeles and the primitive sculptures of Le Fauveur Cheval. With Tinguely helping on the armatures, she launched into a series of architectural sculptures and in 1974, on land donated by Italian friends, she began work on the 22 sculptures of her *Tarot Garden* in Tuscany.

"Sometimes I used to curse Gaudi, especially on paydays," she says. The entire project, which the French government is now interested in preserving, was self-financed by Niki's sales of her own line of furniture, objects and perfume. "Now I feel very good that I was able to swing it as a woman, to finance it. When I'm up against the wall and there are a lot of people depending on me, I can do a pirouette and find a solution."

She sees tarot as a metaphor for life's journey. The difficulties have been immense, compounded by her wish not to finish the garden and leave her workmen jobless and by severe bronchial problems that began in 1974, when her lungs were burned by inhaling polyester fumes from the *Nanas*.

Her poor health seems to her to be connected with an idea of renewal. "It seems to go with a sort of resurrection. It's pretty scary because several times I've been at the point of not return and that in an odd way is linked to a certain renewal of creativity."

In addition to finishing the garden, she has a project to build an *Ideal Temple* in Nimes based on the idea that if all religions are represented no one faith can claim to be more right than the others. The quest means questions to which answers are only the pretext to ask more questions.

"I love that poem by Cavafy about his dream of going to Ithaca and all the things and marvels he meets on his way. Then when he gets to Ithaca he realizes that what it meant was the journey itself."

strength she no longer needs to be right. Independence is a guiding force. "There's a lot about breaking out, whether it's breaking out with a gun and aggression, breaking out from a social background, breaking out from the picture frame now, breaking out from countries. I don't even feel I have a nationality and I'm glad."

Untutored in painting, she took it up when she moved to Paris with Harry Mathews and left him and their two children to paint full time. She is now a great-grandmother and very close to her children. With her son she wrote an illustrated book for young people on AIDS called "You Can't Catch It Holding Hands" and designed bright condoms whose colors no manufacturer has been able to produce.

In 1961 she and Tinguely moved to the Impasse Ronsin in Paris and the shooting paintings began ("we looked like Bonnie and Clyde"), followed, in 1965, by the pre-Women's Lib *Nanas* which offered a new and irresistible view of femininity

Hopeful on Hopefully

By Cathleen Schine
NEW YORK — While the cat is away, let's play with a lexical notion. Let's engage in a spirited defense of the word *hopefully*. You know — the bad *hopefully*. The one without a verb to modify, or even an adjective to modify; the one floating, odd and defiant, at the beginning or the end of a sentence; the one you stop yourself from saying, train yourself never even to think — that *hopefully*.

The bad *hopefully* ought to be used without shame by all those who can bring themselves to do so — the less squeamish, the less prejudiced, the bold, the brave, the visionary. For this *hopefully* has developed a meaning, a nuance, that cannot be approximated by any other word or combination of words. Beyond being useful, *hopefully* is necessary, a profound modern expression of an exclusively modern sentiment. If there were no *hopefully*, man would have to invent it. And so we did.

The problem with *hopefully*, as all grammar-geared men and women know (even those who came to these discoveries late, in college, a Chaucer class, it was humiliating, I'll never forget . . .), the problem is that *hopefully* is properly used only as an adverb modifying a verb or an adjective. "This makes perfect sense," I say to myself *hopefully*. *Hopefully* describes the way in which I am speaking to myself. I am allowed, grammatically, to speak to myself *hopefully*. It is not considered proper usage, on the other hand, to say, "Hopefully, this makes sense." For who, in that case, is doing the hoping? And what is being modified? Surely I do not mean that "this" is making sense in a *hopefully* way.

You know all the above, right? Anyone who reads a language column is as sensitive to the noise of *hopefully* used as a "sentence adverb," as my dictionary puts it, as he or she is to the grating sound of "lay" used as an intransitive verb. It ain't right. *Hopefully* is anathema; it is black shoes with brown pants, a white skirt worn after Labor Day, the desert fox with the lamb chop, inter-species sex.

Hopefully is, in a word, *outré*. Grammatical propriety cannot countenance it, even if grammatical propriety cannot explain why not. In my American Heritage Dictionary of the English Language (Third Edition), there is a long Usage Note for *hopefully*, with considerable delicacy, concision and amusement and a clear sense of drama, discussing the status of *hopefully*, the sentence adverb.

"It might have been expected," observes the anonymous author of the American Heritage Dictionary Usage Note, . . . that the initial flurry of objections to *hopefully* would have subsided once the usage became well established. Instead, increased currency of the usage appears only to have made the critics more adamant."

The Usage Note author cannot account for this, noting that the usage panel had "not shown any signs of becoming generally more conservative"; that the word's acceptance by the public attests to its usefulness; that there is no exact substitute; that there are other words used analogously, like *happily* and *mercifully*, that excite no such controversy. When Clark Gable turned Vivien Leigh and said, "Frankly, my dear, I don't give a damn," it was not his daring use of *frankly* as an adverb with no verb to modify that caused an uproar among tight-thinking people. And yet *hopefully* is scorned and spurned.

"Think for a moment, what it is that *hopefully* does. 'Hopefully, it will not rain on our parade.' 'Hopefully, I will survive this operation.' 'The Mens will not finish in last place — hopefully!' It is true that you could substitute the prim alternative 'One hopes' in each of these cases. But will it mean the same thing? 'One' means a person, some person, an epitome of a person. 'One hopes' means that someone, anonymous yet representative, is also hoping, just the way I, the speaker am hoping. We are hoping together.

Hopefully is a word full of hope, hope even in the face of adversity, even in the face of the Mens. Someday it will claim its rightful place in the language. I hope.

New York Times Service

Cathleen Schine is the author of "Romanus's Niece," a satire of New York intellectual life. William Safire is an occasion.

INTERNATIONAL CLASSIFIED
 Appears on Page 4

MARY BLUME

has worked on for nearly 10 years, is an intelligent lightheartedness that never sinks to whimsy. Fear is there, and rage, all subsumed into one big giggle.

"I am not a tortured artist," she has said. "I have no attic or closet to hide in. Luckily for me, most people don't know what they look at."

In her 40s when she was offered a retrospective at the Pompidou center, she said she wasn't ready and the show was held in 1980, when she was 50. In 1992 another retrospective began in Bonn's Kunst und Ausstellungshalle, moved on to Glasgow, and opens this week at the Musée d'Art Moderne de la Ville de Paris, augmented by a room of new paintings that in Niki's mind (everyone calls her by her first name) makes it less a retrospective than a mix of new works and the rest.

"And that I can handle much better," she said in the converted inn near Fontainebleau where she lives and works.

She calls the new works *Tableaux Eclates* to suggest a bursting forth. They mark a return to painting, but a painting of animated parts that engage in conflicts, conversations or, in one case, a jumpy cakewalk. They are, says her friend Pomus Hulten, who put on the Pompidou center in which Tinguely's antic black machines spar with Niki's colored sculptures, was a constant dialogue between lovers, work partners and rivals. "I've realized my own strength by measuring myself against him," she said in 1987. It was perhaps their rivalry, she

The moment was the death in 1991 of Jean Tinguely, the sculptor with whom she lived for many years and remained close to after they split. Their joint work, such as the Stravinsky fountain at the Pompidou center in which Tinguely's antic black machines spar with Niki's colored sculptures, was a constant dialogue between lovers, work partners and rivals. "I've realized my own strength by measuring myself against him," she said in 1987. It was perhaps their rivalry, she

WEATHER

Forecast for Tuesday through Thursday, as provided by Accu-Weather.

Europe	Today		Tomorrow	
	High	Low	High	Low
Algeria	23/14	15/8	26/19	17/12
Alexandria	19/14	16/9	19/12	13/8
Ankara	33/21	16/9	31/18	15/9
Antwerp	16/12	10/6	13/9	10/5
Athens	29/16	10/5	27/16	11/6
Batavia	32/20	18/8	32/20	17/10
Bombay	21/20	11/2	22/11	12/3
Buenos Aires	27/13	14/7	27/17	12/5
Bangkok	30/22	18/8	30/22	18/8
Beijing	17/6	6/4	19/9	10/5
Bombay	26/19	16/9	27/19	16/9
Buenos Aires	20/12	9/5	19/12	9/5
Calcutta	31/19	15/9	31/19	15/9
Caracas	29/18	16/9	29/18	16/9
Cebu	29/19	17/9	29/19	17/9
Colon	29/19	17/9	29/19	17/9
Dacca	29/19	17/9	29/19	17/9
Dhaka	29/19	17/9	29/19	17/9
Frankfurt	20/12	9/5	19/12	9/5
Geneva	20/12	9/5	19/12	9/5
Hankow	15/6	4/0	15/6	4/0
Hong Kong	33/21	16/9	33/21	16/9
Houston	27/18	10/5	27/18	10/5
London	20/12	9/5	19/12	9/5
Los Angeles	24/14	9/5	24/14	9/5
Lyons	20/12	9/5	19/12	9/5
Manila	31/19	15/9	31/19	15/9
Moscow	21/10	11/5	22/11	12/3
Mumbai	32/20	18/8	32/20	17/10
Nairobi	27/18	10/5	27/18	10/5
Paris	20/12	9/5	19/12	9/5
Perth	27/18	10/5	27/18	10/5
Rangoon	31/19	15/9	31/19	15/9
San Francisco	19/10	6/4	19/10	6/4
Singapore	32/20	18/8	32/20	18/8
Sydney	24/14	9/5	24/14	9/5
Taipei	27/18	10/5	27/18	10/5
Tokyo	27/18	10/5	27/18	10/5
Washington	20/12	9/5	19/12	9/5



North America
 San Francisco will have unusually hot weather by the end of the week, when record high temperatures are possible. Turning less humid in New York City Tuesday, then pleasant Wednesday and Thursday. Breezy with sunbursts in Toronto Tuesday, while Atlanta has thunderstorms.

Middle East	Today		Tomorrow	
	High	Low	High	Low
Baku	29/14	10/5	30/19	10/5
Beirut	29/18	10/5	30/19	10/5
Cairo	30/19	10/5	30/19	10/5
Damascus	32/19	10/5	32/19	10/5
Jerusalem	32/19	10/5	32/19	10/5
Lyons	20/12	9/5	19/12	9/5
Riyadh	41/100	27/7	42/107	24/7

Asia	Today		Tomorrow	
	High	Low	High	Low
Bangkok	29/18	16/9	31/20	17/10
Beijing	20/12	9/5	19/12	9/5
Bombay	30/19	16/9	30/19	16/9
Hankow	15/6	4/0	15/6	4/0
Hong Kong	33/21	16/9	33/21	16/9
Kobe	27/18	10/5	27/18	10/5
London	20/12	9/5	19/12	9/5
Los Angeles	24/14	9/5	24/14	9/5
Lyons	20/12	9/5	19/12	9/5
Manila	31/19	15/9	31/19	15/9
Moscow	21/10	11/5	22/11	12/3
Mumbai	32/20	18/8	32/20	17/10
Nairobi	27/18	10/5	27/18	10/5
Paris	20/12	9/5	19/12	9/5
Perth	27/18	10/5	27/18	10/5
Rangoon	31/19	15/9	31/19	15/9
San Francisco	19/10	6/4	19/10	6/4
Singapore	32/20	18/8	32/20	18/8
Sydney	24/14	9/5	24/14	9/5
Taipei	27/18	10/5	27/18	10/5
Tokyo	27/18	10/5	27/18	10/5
Washington	20/12	9/5	19/12	9/5

Africa	Today		Tomorrow	
	High	Low	High	Low
Accra	30/19	16/9	30/19	16/9
Cairo	30/19	16/9	30/19	16/9
Conakry	29/18	16/9	30/19	16/9
Dakar	29/18	16/9	30/19	16/9
Harare	29/18	16/9	30/19	16/9
Johannesburg	29/18	16/9	30/19	16/9
Khartoum	32/19	10/5	32/19	10/5
Luanda	29/18	16/9	30/19	16/9
Nairobi	27/18	10/5	27/18	10/5
Rabat	29/18	16/9	30/19	16/9
Tripoli	32/19	10/5	32/19	10/5
Windhoek	29/18	16/9	30/19	16/9

CROSSWORD

- ACROSS**
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 - 16 Edible root
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 - 20 Loty subways?
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 - 22 Belief formula
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 - 27 Locals for Columbus
 - 29 Bts for Spot
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 - 31 Pre — mode
 - 32 Ophthalmist's office?
 - 33 In the past
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 - 41 Nile city
 - 42 Winter woe
 - 43 Writer Bombard
 - 44 Dog pound?
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 - 47 Occupied
 - 48 Netman Sampras
 - 49 Young adult
 - 50 Dice

Solution to Puzzle of June 18

CABALS MACLE
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SKATEBOARD ERAT
PGA YRS SIALADE
ARMY PIG FEASDE
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DELMAR OAF NEAR
STEAM SNU EIS
CASPE APY
SABU TRIPLE AXEL
TRACHERA ALAMIDA
ARCHERY REAGNED
SIRTINE NERROLS

CROSSWORD

10 Sound system, for short

46 Knight's helmet

47 Harbor vessel

48 Poet Conrad

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52 Come in second

53 Western Indians

54 Except

55 Homophone for knew

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